EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,818 — Friday April 14 1989 — D 8523A

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Liabilities hotpot starts to simmer
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World News

Dairy pay-out prompts claims of EC farm fraud

The possibility of European Community farm fraud was raised when a member of the European Parliament claimed substantial sums had been wrongly paid out to EC dairy producers. Page 26

Lockerbie inquiry
US investigators have identified passengers who they suspect may have carried the bomb that destroyed Pan Am Flight 103, over Lockerbie. Page 6

Soda ash inquiry
European Commission officials are carrying out an investigation into possible price fixing in Western Europe's soda-ash industry, which produces raw materials for glass. Page 26

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Revolutionary Guards arrested the son and son-in-law of Ayatollah Montazeri, who was sacked as successor to Ayatollah Khomeini. Page 4

Invitation to Akihito
Chinese Premier Li Peng invited Emperor Akihito to make the first visit to China by a Japanese emperor. Page 4

Italian survival
The Italian Government led by Ciriaco De Mita became the country's 17th post-war administration to survive more than a year in office. Page 3

Takeshita pressure
Noboru Takeshita, the Japanese Prime Minister, was put under fresh pressure by his own party to defuse the crisis caused by the Recruit scandal. Page 4

Tamils kill 45
Tamil separatist rebels exploded a car bomb in eastern Sri Lanka, killing at least 45 people.

West Bank shooting
Israeli border police shot dead six Palestinians in a raid on a West Bank village. Page 4

Tbilisi under guard
Troops and tanks kept a tight grip on Tbilisi as the capital of Soviet Georgia prepared for the first funeral of the 19 people killed in clashes.

Solidarity register
Solidarity trade union applied for legal registration after a seven-year ban imposed by Poland's Communist authorities. Page 3

Syrian attack
Two helicopters with Syrian markings fired rockets at two Soviet vessels in the eastern Mediterranean, injuring seven sailors.

Pastor arrested
South Korean police boarded an airliner at Seoul airport to arrest a dissident pastor returning from an unauthorised trip to communist North Korea. Page 4

New Gulf talks
UN Secretary General Javier Perez de Cuellar will preside over another round of peace talks in Geneva between Iran and Iraq.

Yachtsmen saved
US military helicopters plucked 15 British yachtsmen, one injured, from huge waves and high winds in the Mediterranean, off the coast of Italy.

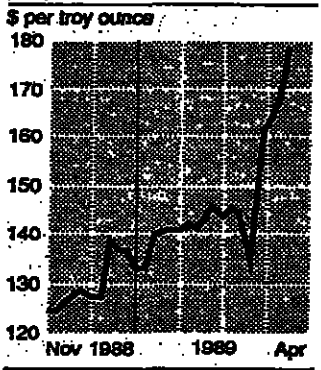
Business Summary

Argentine emergency measures expected

Argentina is facing the imposition of emergency economic measures to stem runaway inflation and restore confidence in the austral currency. Page 6

PALLADIUM and platinum prices rose to their daily trad-

Palladium



ing limits on news that a University of Washington researcher had again confirmed the result of the Utah nuclear fusion experiment. Palladium reached the highest level since late November 1980, $178.50 an ounce, up $10.50. Page 36

EUROPEAN Commission clarified the conditions under which the Community will allow banks from non-EC countries to set up subsidiaries. Page 26

TSB, fifth-largest UK banking group, announced sweeping changes in the structure of its boards. Page 9

CREDIT LYONNAIS, the French state-owned bank, saw net profits fall to $327m. Page 27

JAPAN'S total merchandise trade surplus in March eased 10 per cent to $6.7bn. Page 4

BLUE CIRCLE, the UK cement manufacturer forecast sales would top 20m tonnes this year. Page 27

CLAL Group, Israel's biggest privately owned industrial group reported a $21.5m loss for 1988. Page 30

VIENNESE banks have won a series of financing and joint venture contracts with Eastern bloc enterprises. Page 6

COCA-COLA, world's largest maker of soft drinks, reported a surge in profits for the first quarter. Page 30

HUME INDUSTRIES, Malaysian concrete and steelmaker, has launched a general offer for Multi-Purpose Holdings (MPH). Page 29

BRAZIL has begun a radical readjustment of its anti-inflationary programme by authorising salary rises of 12 per cent. Page 6

BERLINER BANK of West Berlin will raise its dividend two points to 10 per cent. Page 28

ANSETT AIRLINES, private sector Australian carrier, suspended a threat to shut New Zealand operations over a bid for Air New Zealand by Quantas. Page 29

BANK of JAPAN is to introduce an on-line computerised system for the buying and clearing of government bonds. Page 31

BCP, Banco Comercial Portugues, is launching a rights issue to increase capital by $192m. Page 31

ARNALDO Mondadori Editori, Italy's largest publishing group, will pay around $508m to acquire L'Espresso group. Page 27

PUBLIC POWER CORP of Greece awarded a mandate to Sumitomo Bank to arrange a $150m loan. Page 32

AMI HEALTHCARE Group, the UK private medical company, announced an increase in pre-tax profits to $16.1m. Page 34

Delors group leaves timing of monetary unity to politicians

By Peter Norman, Economics Correspondent, in London

THE DELORS Committee of European Community central bankers and outside experts has pushed the key issue of how fast the 12 EC member states should move towards economic and monetary union firmly into the laps of the Community's political leaders.

Speaking to the European Parliament in Strasbourg yesterday, Mr Jacques Delors, the European Commission President and chairman of the group, said monetary union was now up to politicians to decide, but the issue was becoming difficult to resist.

"Nobody will say you can wave a magic wand as far as monetary union is concerned... it is a major political decision," Mr Delors told the Parliament. "But even if you set aside the political aspect, I think you can say economic and monetary union is indispensable."

The report of the Delors Committee was agreed unanimously in Basle on Wednesday. Although details are not due to be released until Monday, European monetary officials said the 17-strong group has marked out a route along which the Community could move towards union with its institutional trappings of a European Community central bank and common currency.

Key issues it has not addressed are the timing and speed of developments. By leaving these questions to the politicians, the Delors group was able to produce a report that could be signed by all its members.

According to the officials, the Delors Committee's report has none the less made some clear statements of what must take place before union is achieved. It states, for example, that economic and monetary union would require amendment of the EC treaties.

In the final stages of the process towards monetary union, the group envisages the creation of a European central bank, based on the West German Bundesbank and US Federal Reserve system, that would give its highest priority to maintaining stable prices.

It is understood that the report, which will be handed to heads of government today, also marks out how the European Currency Unit could evolve into an EC currency.

By leaving the question of timing open the report has bridged the gap that existed between countries such as West Germany, Britain and Luxembourg, which argued that economic and monetary union should be a slow evolutionary process, contingent on a greater convergence of economic performance in the EC, and nations such as France, Italy and Spain which demanded speedier institutional change.

British Government reaction remains to be seen. Earlier this year, Mr Nigel Lawson, the UK Chancellor, warned that neither the Government nor the British Parliament would accept changes to the EC treaties to give effect to economic and monetary union.

It is understood that the report makes clear the economic problems that a move to union could entail. It enshrines the principle of "parallelism" by which institutional progress towards union would go hand in hand with greater economic intregration in the EC.

However, it would be left to political leaders of the member countries to determine whether and when conditions had evolved to the extent that steps towards economic and monetary integration could proceed.

US Speaker faces crisis over gifts and income

By Lionel Barber in Washington

MR JIM WRIGHT, Speaker of the US House of Representatives, improperly accepted gifts and evaded limits on outside income, according to a congressional committee.

The charges threaten to topple Mr Wright, the nation's highest elected Democrat, from his post.

A tearful Mr Wright vowed to defend his family honour, saying he wished at the earliest opportunity to appear before the House ethics committee. "I am confident that in the 34 years I have served in the Congress I have not violated any of those basic rules or any commonly accepted standard of ethical conduct," he said in a long, rambling statement to reporters on Capitol Hill. He strode off without waiting for questions.

The 66-year-old Texan was flanked by House Democratic leaders in a show of solidarity, but there were signs of splits in the party ranks over Mr Wright's difficulties and his performance yesterday was not considered convincing.

The ethics committee is expected to accuse him of up to 30 violations of House rules, mostly linked to his relationship with Mr George Mallick, a Texas property developer who gave thousands of dollars in gifts to the Speaker and his wife when Mr Mallick had a direct interest in legislation.

The committee – comprising six Democrats and six Republicans – voted 8-4 (with two Democrats defecting) to find "reason to believe" Mr Wright had violated House rules. It has yet to determine the sanctions it will recommend to the full House but most Democrats concede that even a reprimand would prove fatal.

Mr Wright must decide shortly whether he wants to appear before the committee to rebut the charges or whether he wants to proceed quickly to a vote by the committee on whether to hold a disciplinary hearing.

The Speaker's wife, Betty, worked for Mr Mallick between 1979 and 1980 and again between 1981 and 1984. She was paid $18,000 a year and given the use of a Cadillac and a condominium. In key votes, the committee sided with its special counsel, Mr Richard Phe-
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Helmut Kohl (left) at the press conference with spokesman Friedhelm Ost, who lost his job in the reshuffle. Theo Waigel (below), Finance Minister

Kohl reshuffle overshadowed by fresh confusion

By David Marsh in Bonn

MR HELMUT KOHL, the West German Chancellor, yesterday attempted to bolster his Government's electoral standing by announcing a Cabinet reshuffle designed above all to improve handling of controversial defence and immigration issues.

The action – aimed at stemming a tide of setbacks for the Centre-Right coalition in recent months – was, however, immediately overshadowed last night by fresh confusion over key aspects of the Government's tax and nuclear energy policies.

Mr Kohl's move to change his Defence, Finance and Interior Ministers as well as five other less important portfolios, adds up to the most important reshaping of his Government since the coalition took office in October 1982.

Mr Kohl is bringing in as Finance Minister Mr Theo Waigel, chairman of the Bavarian conservative party, the Christian Social Union, in a clear bid to improve government cohesion during the run-up to the next general election in December 1990.

Also promoted is Mr Wolfgang Schaeuble, Chancellery Minister, and a key aide to Mr Kohl. Mr Schaeuble takes over the Interior Ministry where he will have to deal above all with the problems caused by growing inflows of refugees from the Third World and Eastern Europe.

Mr Gerhard Stoltenberg, Finance Minister for 6½ years under the Kohl coalition, is being moved to the highly difficult post of Defence Minister.

Puncturing the harmony which Mr Kohl tried to portray yesterday, the Bavarian State Government complained last night about the Chancellor's apparent move to downgrade plans for a controversial nuclear reprocessing complex in eastern Bavaria.

Mr Waigel, brought into the Government to try to increase the Government's appeal on the Right, can be expected to stand up strongly in Cabinet for the DM10bn ($5.3bn) Wackersdorf venture.

Additionally, suggestions of plans to change the 10 per cent withholding tax on savings and investments – brought in last year as part of an income tax cuts package – threw financial markets into confusion yesterday. The D-Mark at first firmed on belief that the tax would be scrapped as part of new policies from Mr Waigel. The withholding tax has been blamed over the past year for prompting capital outflows and thus weakening the D-Mark.

The markets calmed later however as government officials made clear that the tax might be modified but would not be scrapped.

The two main demotions yesterday were of Mr Rupert Scholz, the Defence Minister, who is leaving the Cabinet after proving a highly unpopular figure during a mere 11 months in office, and Mr Friedrich Zimmermann, the Interior Minister, also from Mr Waigel's Christian Social party, who is being moved down to Transport Minister.

Mr Kohl said Mr Stoltenberg, who is well known on the international circuit after his Finance Ministry spell, would bring "authority" into the Defence Ministry post.

As the most senior member of the Federal Government team apart from Mr Hans-Dietrich Genscher, Foreign Minister, Mr Stoltenberg will be called on to shore up West Germany's flagging consensus over military affairs.

Mr Scholz ran into particular opposition over low-flying exercises by the German and other Western air forces and general unrest over military links within Nato.

Companions for the march to 1990, Page 24

Unknown Bavarian must make his mark

By Andrew Fisher in Frankfurt

CHANCELLOR Helmut Kohl has turned south for his new Finance Minister, choosing Mr Theo Waigel, a pipe-smoking, bushy-eyebrowed Bavarian, to replace Gerhard Stoltenberg, the cool, silvery-haired northerner whose reputation has slid rapidly over the past year or so.

Although Mr Waigel, 49, is virtually unknown in the financial community, his appointment caused considerable confusion and activity in markets yesterday.

The reason was the withholding tax (Quellensteuer), a levy strongly criticised by the Bundesbank and others when Mr Stoltenberg introduced it and which led to heavy outflows of investment funds last year.

In the belief that Mr Waigel would try to draw the teeth of this tax, the D-Mark strengthened and share prices initially moved briskly ahead. Prices of domestic bonds, subject to the new 10 per cent tax on interest, firmed, while those of for-
Continued on Page 26

Brussels eases path for non-EC banks to set up in Community

By Tim Dickson in Strasbourg

THE European Commission yesterday clarified the conditions under which the Community would allow banks from non-EC countries to set up subsidiaries. The move was seen as an attempt to dismiss what the Commission sees as the dangerous myth of "Fortress Europe."

At its weekly meeting in Strasbourg, the Commission agreed on a proposed second banking directive which both simplifies the procedure for individual banking applications and makes clear that in return the Community expects the rest of the world to provide access for EC banks.

The proposed directive will not become law until approved by the member states. It is designed to open up a single market in the banking sector by laying down criteria for the authorisation of banks in a member state and providing for EC-wide operations on the basis of meeting the conditions for a licence in a single member state.

In cases where the EC's partners have banking laws which are non-discriminatory but less liberal than those in the 12-nation bloc, however, the Commission says that it may propose negotiations with the country concerned.

Announcing the changes yesterday Sir Leon Brittan, the vice president of the European Commission who is responsible for financial services, said that the amendments "send a clear message to our trading partners: That we welcome the establishment of their banks in the Community and that we will only seek to hit back if there is in effect national discrimination against us." Commenting on the right to negotiate with countries whose banking laws are less liberal but non-discriminatory, Sir Leon said the EC was "fully entitled to argue that our most liberal banking market is an example that the rest of the world should follow."

The EC's second banking directive – which as originally proposed had aroused widespread fears in the US and Japan about European protectionism – has been seen as a litmus test of the EC's policy on financial services after 1992.

Part of the problem was the way in which the original directive was drafted, inspiring fears that the EC would refuse access to foreign banks whose home authorities did not provide equivalent treatment.

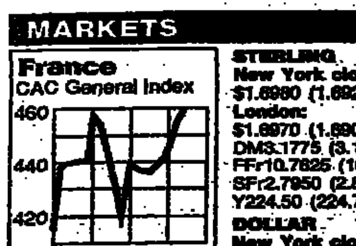
David Barchard in London writes: Reaction to Mr Brittan's proposals among banks in London was generally favourable. National Westminster, the largest British bank, said: "We have generally taken the British Government's view that the original proposals on bank reciprocity would have harmed London as an international financial centre."

The British Banks Association said it would want to study the the proposals to see if they had gone far enough.

Brittan gives details of banking directive, Page 4; No fortress in EC banking, Page 24

MARKETS

France
CAC General Index



INTEREST RATES
US lunchtime
Federal Funds 9⅞% (9$\frac{13}{16}$)
3-mth Treasury Bills: yield: 9.08% (8.99)
Long Bond: 97$\frac{17}{32}$ (97$\frac{3}{32}$)
yield: 9.12% (9.1)
London
3-month interbank: close 13¼% (same)

STERLING
New York close
$1.6980 (1.6920)
London:
$1.6970 (1.6900)
DM3.1775 (3.1675)
FFr10.7625 (10.7600)
SFr2.7950 (2.8175)
Y224.50 (224.75)

DOLLAR
New York close
DM1.87255 (1.88205)
FFr6.3395 (6.3605)
SFr1.6445 (1.66475)
Y132.04 (133.025)
London:
DM1.8730 (1.8865)
FFr6.3425 (6.3675)
SFr1.6470 (1.6665)
Y132.25 (132.95)

GOLD
New York latest
Comex June
$394.5 (392.1)

STOCK INDICES
New York close
Dow Jones Ind. Av.
2,296.00 (-23.65)
S&P Comp
296.40 (-2.50)
London:
FT-SE 100
2,028.7 (-4.3)
World:
142.88 (Wed)
Tokyo
Nikkei Ave
33,063.94 (-192.51)
Frankfurt
Commerzbank
1,741.9 (+20.9)

OIL
Brent 15-day (Argus)
$19.18 (+0.08) (May)
West Tex Crude
$20.635 (+0.085) (May)

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Knives flash on the Hungarian road to democracy

Hungarian party leader Karoly Grosz this week summoned the committee that ousted four conservative members of the politburo. What further reforms are needed before Hungary becomes a fully fledged democracy? Page 3

EUROPEAN NEWS

Aerosol makers in EC deal to cut use of CFCs

By Tim Dickson in Strasbourg

THE GROWING political pressures on industry to pay more attention to the environment were illustrated yesterday when the European Commission announced details of a voluntary deal with the Federation of European Aerosol Manufacturers to cut back the use of chlorofluorocarbons (CFCs) in aerosol cans.

CFCs are the gases blamed for the thinning of the atmosphere's ozone layer and for contributing to the warming up of the earth's temperature, the so-called "greenhouse effect."

The problem of CFCs was targeted in 1988 in the United Nations inspired Montreal Protocol, which committed signatories to a 50 per cent cutback in production by the end of the century. Earlier this year, European Community environment Ministers took a tougher line by undertaking to ensure a total ban by the year 2,000.

The use of CFCs in aerosols accounts for about 45 per cent of total use throughout the Community. As a result, yesterday's agreement with the industry that the use in aerosols will be reduced by 90 per cent by the end of 1990 goes further than the overall 20 per cent reduction demanded by the Montreal Protocol by 1993.

The aerosol makers' cutback will be achieved on the basis of the 1976 figure of just over 200 tonnes for such uses, but aerosols used in pharmaceuticals and electronics and some specialised industrial uses will be exempted.

The agreement provides for the labelling of those aerosol cans that will continue to contain CFCs with the label: "Contains CFC which damages ozone."

UK, West Germany cool over EC mergers plan

By William Dawkins in Luxembourg

WEST Germany and Britain last night said the European Commission's latest attempt to resolve the deadlock over its controversial EC merger control regulation was a step in *the right direction – but still* well short of their requirements.

They insisted that the Commission should increase dramatically the Ecu 2bn ($2.204bn) which it is now proposing as the level of combined turnover at which cross-border mergers should be forced to seek advance clearance from the Brussels authorities. France and Spain also wanted a higher turnover threshold, while Belgium, Portugal, *Greece, Luxembourg and Italy* wanted the Commission to introduce a lower sales limit.

Yesterday's meeting was the first response to a new version of the plan, tabled earlier this month by Sir Leon Brittan, competition Commissioner. It confirms that member states are still a long way from summoning the unanimous accord needed to allow the scheme to take effect, though some Commission officials said an accord was still possibly by June.

Brussels is proposing that cross border mergers with combined turnovers of more than *Ecu5bn* – falling to Ecu2bn at the end of 1992 – should seek advance clearance from the Commission's anti-trust department.

This compares with the previous plan for an Ecu1bn threshold, but is still a long way short of the Ecu10bn joint sales limit sought by the UK and the Ecu5bn wanted West Germany, the scheme's main sceptics. They also want an increase in the lower turnover threshold of Ecu100m for the smaller partner in a merger, below which deals need not be notified.

Sir Leon has suggested that mergers should not have to *seek advance Commission* clearance if more than two thirds of the partners' joint sales come from one EC country, as against three quarters in the earlier versions.

To end any confusion over the division of anti-trust power between the Commission and national merger control authorities, Sir Leon has suggested that national law only will apply to deals below the threshold. These, he proposes, should not be covered by any of the EC's competition rules.

EC agrees rules for cross-border television

By William Dawkins in Luxembourg

THE European Community yesterday approved common rules for cross-frontier television despite strong objections from West Germany, Denmark and Belgium.

Broadcasters will be guaranteed free cross-border transmission provided they observe minimum advertising and moral standards and carry a majority of EC-made programmes where practicable. The scheme is of great importance to the growing number of satellite and cable television channels emerging across Europe.

The Commission package, agreed at yesterday's meeting of EC trade and industry ministers, has to be endorsed by the European Parliament, and will come into effect in mid-1991. But the Danish Government yesterday warned that it would ignore the rules and block any foreign broadcast that offended national tastes.

The rules are broadly in line with regulations about to be agreed by the 22 members of the Council of Europe, the international political and human rights body, of which Denmark is also a member.

Mr Niels Wilhjelm, the Danish Industry Minister, said Copenhagen would not change its own stringent television rules in line with the directive. Denmark argues that the EC has no power over cultural affairs and wants the right to block programmes that might harm children.

Mr Wilhjelm warned that Denmark would later invoke its veto – allowed if a Community Government feels a vital national interest is threatened – if its refusal to observe the broadcasting directive was challenged in the European Court of Justice. That tactic would not work *after the directive's adoption,* argued some national officials.

Mr Dieter von Würzen, Bonn's State Economics Secretary, also objected, on the grounds that West German regional governments could not accept this EC encroachment on their responsibility for cultural policy. Belgium could get no support for its wish to charge levies on foreign programmes to help fund regional television. But Bonn and Brussels both intend to observe the rules.

Kohl spirit of harmony after reshuffle soured by Wackersdorf

Nuclear issue puts stress on Bonn

By David Marsh in Bonn

SERIOUS strain within the West German coalition came to the surface last night over Bonn's proposals to discuss with France a possible alternative to the Federal Republic's planned nuclear reprocessing complex at Wackersdorf in eastern Bavaria.

The row emerged in a letter from Mr Max Streibl, the Bavarian Prime Minister, to Chancellor Helmut Kohl asking him to stand firmly behind the Wackersdorf project.

The venture, heavily contested by atomic energy opponents, *is a highly symbolic* part of West Germany's nuclear power programme.

The move from Bavaria immediately soured the mood of harmony in which Mr Kohl yesterday tried to present his government reshuffle, which enhances the role in the cabinet of the Bavarian conservative party.

Mr Kohl refused yesterday in Bonn to rule out whether Wackersdorf would be abandoned or modified in the light of a French offer of enhanced bilateral co-operation in reprocessing.

He spoke of a "new situation." Bonn and Paris would set up a study group to examine whether West German electrical utilities could make more use of spare reprocessing capacity at the French reprocessing plant at La Hague on the Normany coast.

Mr Kohl and President Francois Mitterrand are due to hold "initial discussions" on the idea next week in Paris during *the six monthly Franco-German* summit, officials said.

They said an eventual decision on whether to change the Wackersdorf plans might take one or two years.

Wackersdorf is designed to separate into plutonium and re-usable uranium 350 tonnes per year of spent fuel from nuclear power stations from 1995-96 onwards.

Total building costs of the plant, which has been backed by both the present and previous Bonn governments, are put at around DM10bn ($5.32bn), of which DM2.5bn has already been spent.

Mr Kohl yesterday refused to admit that he had become more sceptical about Wackersdorf.

He said the Government stood by the principle of reprocessing spent fuel, but left pointedly open whether this would take place in France or West Germany.

Mr Streibl's letter to Mr Kohl expresses Bavaria's anger over *an agreement* between Veba, the giant West German chemical and energy conglomerate, to negotiate cooperation with Cogema, the French state owned nuclear fuel company.

Mr Streibl said that the Bavarian state government had taken over responsibility for the controversial project as part of a national strategy for dealing with spent nuclear fuel.

Mr Kohl's reshuffle is designed to improve the centre-right Government's fortunes, after a string of regional election setbacks. Altering the Cabinet line-up, however, just two months before the Government's next test at the European elections in June, amounts to a clear gamble. The moves add up to the Chancel*lor's last significant chance* to reshape his team before the run-up begins in earnest to the next general election in December, 1990.

The changes look likely to be accompanied by a decisive shift in West Germany's nuclear energy strategy, which could also be designed to stem the tide of anti-nuclear voters switching to opposition parties.

Yesterday, although officials could not confirm details of the moves planned, Mr Alfred Dregger, leader of the conservative Parliamentary grouping in the Bundestag, said the changes to would be a "good solution."

Yugoslav inflation continues to rise

By Aleksandar Lebl in Belgrade

YUGOSLAVIA'S economic *performance in the first quar*ter of 1989 was comparatively good with regard to the external sector and industrial production. However, inflation was higher than ever, despite efforts to stem it.

Industrial output went up by 2.6 per cent compared with the same period of 1988. With oscillations, it has been increasing since last December, but for the whole of 1988 it fell by 0.7 per cent *compared with 1987.*

Political unrest and strikes in the province of Kosovo did not influence national results, although industrial output in the province fell 4.7 per cent. Kosovo makes up less than 2 per cent of the Yugoslav total.

Retail prices increased by 66.2 per cent in the first quarter this year, or at an annualised rate of 763 per cent. In the year ending in March, inflation *was at 497.5 per cent. Total* exports in the first three months of 1989 were worth $2,900m, or 1.6 per cent more than the first quarter of 1988. Total imports were worth $3,092m, or 11.1 per cent more.

Hard currrency exports earned $2,264m, and exports to industrialised countries $1,630m, 2.9 per cent and 2.4 per cent more respectively. Hard currency imports stood at *$2,533m, or 24 per cent more,* and imports from industrialised countries stood at $1,780m, or 16.9 per cent more.

Tourism had a good start. In the first two months the number of foreign tourists went up by 6.4 per cent, and the number of overnight stays increased by 8.3 per cent. Foreign exchange earnings increased by 30 per cent.

Ireland's third television channel wins approval

By Raymond Snoddy

IRELAND'S Independent Radio *and Television Commission* yesterday gave the go-ahead for a new third television channel TV3, based on cable networks and local microwave transmission.

The Commission awarded the franchise to the only consortium to apply, the Windmill Hill Consortium. The group – formed by four Irish promoters, Mr James Morris, Mr John Kelleher, Mr Ossie Kilkenny and Mr Paul McGuinness, manager of the U2 pop group – has *the financial backing of the* Smurfitt group, Ireland's largest company.

Two ITV companies from the UK, TVS Entertainment and Ulster Television are also involved in the project.

TV3, which will be financed by advertising, will involve an investment of around £20m and hopes to begin broadcasting next spring.

At first it will be mostly based on the large cable television networks of Dublin and Cork although the aim is to be a national channel through the local microwave television *(MMDS) the Irish Government* is planning.

Agreement close on curbs to cross-border trade

By William Dawkins

EUROPEAN governments were yesterday near agreement on three proposals to ease three curbs on cross-border trade, but were stuck on plans to grant students minimum rights to live abroad in the EC.

A meeting of trade and industry ministers was on the verge of giving the green light to Commission proposals to set minimum standards for the amount of financial information to be provided by company branches based in EC countries away from their head *offices.*

Such information would be lodged with company registries, so as to provide some protection for customers and suppliers unsure of foreign companies' stability. West Germany provided the main opposition, arguing that the plan was too bureaucratic, but officials said agreement was possible.

Ministers also agreed two other proposals – a requirement for trucks to carry sideguards to protect cyclists and pedestrians – and a routine updating of the EC's list of *dangerous substances required* to carry warning labels.

Swiss rates rise on worries about franc

By William Dullforce in Geneva

THE SWISS National Bank yesterday raised its discount and Lombard rates, after bankers and economists had begun to voice growing concern about the depreciation of the Swiss franc. From today the discount rate increases from 4 to 4½ per cent; the Lombard by 1 point to 7 per cent.

The bank said its move emphasised its determination to continue "a stability-oriented policy". It signalled a tighter monetary policy last December, when it set a 2 per cent target for the growth in the monetary base (M0) in 1989.

However, signs of overheating and some acceleration in inflation stimulated worries about price stability. In March the consumer price index hit an annual growth rate of 2.3 per cent and forecasters have been talking of a rise of 3 per cent or more this year. The *index rose* by *only* 1.9 per cent in 1988 and 1.4 per cent in 1987.

During the first quarter the franc fell by 10 per cent against the dollar and by 3.4 per cent against the D-Mark.

Acceleration of the trend this week led the Union Bank of Switzerland to describe the franc as "a crippled currency" and to criticise the national bank for not following its statement of intent with action.

The national bank linked its rates increase with "developments in the *money market*" where the three-month Eurofranc interest rate had climbed from 5¾ per cent at the end of March to 6¼ yesterday.

Within an hour of the announcement the franc had hardened from 0.8865 to 0.8766 against the D-Mark.

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EUROPEAN NEWS

Knives flash in Hungarian party

By Leslie Colitt

PERSONAL rivalries played a key role in the ousting of four members of the Hungarian politburo earlier this week. "Subjective reasons" were as important as political ones, Dr Istvan Degen, a spokesman for the Communist party central committee said.

The removal of Mr Janos Berecz, the chief ideologist, was not, as widely assumed, a triumph for reformers over conservatives in the leadership, he said. The politburo reshuffle did not take place because of opposition to the reforms within the leadership.

By "subjective reasons", Dr Degen meant the deep personal animosities aroused by Mr Berecz within the central committee. Only a few years ago he was regarded by many as a reform-minded academic and a leading rival of Mr Karoly Grosz, a conservative, in the race to take over the party leadership from Mr Janos Kadar.

Mr Grosz, however, allied himself with radical reformers in the party who mistrusted Mr Berecz's ideological approach to politics and appreciated Mr Grosz's pragmatism. When Mr Grosz was chosen to head the party last May, Mr Berecz presented the decision to the world – glibly but still smiling. In the following months he tried to keep a foot in both the reformist and the conservative camps which, in the end, repelled both sides.

Thus, Mr Berecz warned journalists on Hungarian Radio that they were going too far in criticising the party. At the same time he advocated a new law guaranteeing freedom of the press. Only a few weeks ago he presented the party's action programme which he said reflected a blend of "social democrat and reform communist" outlook. This appeared to place him firmly on the side of the radical reformers.

But it was too late. His many opponents in the central committee had whetted their knives and struck at Wednesday's closed session.

Mr Janos Lukacs, the Central Committee Secretary for Party Policy, who was also ousted, faithfully carried out its reformist policies but clearly did not have his heart in the splitting of the party into reformist, conservative and centrist wings.

The two others removed, Ms Judit Csehak and Mr Istvan Szabo, were widely regarded as superfluous rather than being opponents of reforms.

Hungarians wary of another false dawn

Leslie Colitt reports on public scepticism about political reform

A MURAL in the lobby of the "White House," as the building of the central committee of the Hungarian Communist party is known locally, is one of the few remaining Stalinist relics in the sprawling building on Budapest's Danube embankment.

Workers, peasants and intelligentsia are pictured listening with rapt attention to a party bureaucrat seated at a desk before them. By contrast, Hungarians today make no attempt to hide their scepticism when party *reformers speak of the coming* dawn of social democracy and the multi-party system.

"People feel something historical is happening but do not dare to believe," says Ms Györgyi Kocsis, an editor of the leading opposition economic and political weekly HVG.

A year ago, few citizens would have dreamt that the media would be debating a future neutral status for the nation. Nor did they imagine that Mr Janos Kadar, ousted last May as party leader would so soon be disgraced. Having first been blamed for the nation's political and economic malaise, he is now held responsible for helping Soviet tanks to crush the 1956 Hungarian uprising.

While living standards crumble, party leaders fervently extol the virtues of private enterprise. But private entrepreneurs, uncertain about the future, are interested mainly in quick profits. They indulge in Western cars, houses and artworks but shy from investing in their own companies.Consequently, the private sector – whose share of gross national product is more than 30 per cent including small plot farming – is stagnating.

Mr Marton Tardos, an economist respected by both the Government and opposition, noted that no one in Hungary was actually for radical economic "denationalisation" and the market economy, although the party claims that it is.

"Western bankers like to hear this rhetoric because of our debt but the party knows that if it does what it says it will lose power," he said.

Ordinary Hungarians, too, suspect that they will be the *losers* in a free market system. Economic reforms are now linked in the popular mind with 17 per cent inflation and *falling* real wages since 1982. While many people compensate by taking on extra jobs, this is difficult for industrial workers.

Hungarians may still enjoy greater variety *in their shops than other East Europe*ans but personal computers and boutique fashions are irrelevant for the nearly one quarter of the population eeking out an existence below the poverty line.

Managers of monopolistic state-owned companies remain immune as ever from pressures of the market-place or threats of bankruptcy. The much-touted bankruptcy law is not being applied because the Government fears the consequences of unemployment. Direct subsidies have been *cut* but inefficient companies keep themselves afloat by charging higher prices based on bloated costs.

At the same time, the new commercial banking system does not have enough money to allocate to efficient companes. Even worse, the bank directors, like company managers, are political appointees of the party. A Hungarian central banker summed up the dilemma by noting that as long as the Government was controlled by the party and not Parliament, it lacked the "legitimate power" to close loss-making companies.

Desperate to obtain this legitimacy, the leadership is being pushed by its radical reform wing under Mr Imre Pozsgay to transform the splendid gothic Parliament controlled by the party into a Western-style legislature. The party, however, is to remain dominant by keeping an inbuilt majority in next year's "compromise election." Mr Pozsgay said that genuine elections in which the party would be "deprived of the power to rule" if it lost, would take place later, possibly in 1995.

The leadership's strategy is to spread power among reliable allies in order to forestall the total loss of power. As wide a coalition as possible is to be forged among the new political groups which are to be transformed later this year into fully-fledged parties.

At this early stage, though, the proto-parties are still largely shells without content or effective leadership. They arouse *as little popular enthusiasm* as the party itself. The spectacle of two 80-year-olds heading the resurrected Social Democrat (SDP) and the Small Landowner's parties inspires little confidence among potential voters.

MR Mihaly Bihari, a political scientist expelled from the party along with three others a year ago for his reformist views, believes the radical reformers will sooner or later have to split off from the rest of the party consisting of conservatives and the centrists under Mr Karoly Grosz, the leader. The natural ally of the ultra reformers he suggests would be a revitalised SDP.

In the present maze of parties only two, the SDP and the Small Landowner's party (which were the largest before the Communist takeover in 1948) are leaning towards a coalition with the Communists. Other political groups are still keeping their distance.

Some Hungarians, however, are concerned that any formal or tacit alliance of "elites" between the party, intelligentsia, professional people and management, will leave out ordinary Hungarians who have traditionally been excluded from politics. They warn that the consequences for political stability could be devastating.

As in Poland, the Hungarian leadership's nightmare is that economic austerity may end in a popular "explosion" against the regime.

Romania's hard currency debt repaid

By Judy Dempsey in Vienna.

ROMANIA'S hard currency debt, which during the early 1980s was one of the highest in Eastern Europe, has been completely repaid, according to an official Romanian communiqué.

Western bankers yesterday confirmed that the outstanding loans to the commercial banks had been paid but they could not confirm that loans to official institutions had yet been paid. "We had been expecting the total debt to be repaid by next August," bankers said.

By the end of 1988, the country's net debt totalled \$1.7bn and its gross debt stood at \$3.2bn.

However, bankers added that the breakneck speed in which the debt repayments have been tackled has seriously undermined the economy's infrastructure. The announcement was made by Mr Nicolae Ceausescu, the Romanian President, during a meeting earlier this week of the party's central committee.

"*I wish to inform the plenary* meeting, the party and our people", he said, "that at the end of March, Romania fully paid back its foreign debt. This is the outstanding result of our people's work devoted to the country's socio-economic development."

Mr Ceausescu took personal responsibility for reducing the debt, which, in 1981, exceeded \$10bn, on the grounds that he wished to decrease the country's dependence on Western financial institutions. In addition, he was unwilling to negotiate any loans linked to his human rights record, one of the worst in Eastern Europe.

For the past year, the population has been deprived of basic food products, industry has been starved of capital investments, and enterprises have lacked the most basic imports of spare parts. Imports from OECD countries decreased from \$3.7bn in 1980 to less than \$1.2bn in 1987.

At the same time, penalties were imposed on enterprises which did not meet their export quotas, even though many had to work with an irregular flow of spare parts.

Solidarity files for legality

SENIOR Solidarity advisers filed a formal application for registration of the union in a Warsaw court yesterday saying they expected quick approval of the independent union, AP reports.

The application follows agreement earlier this month at round-table talks between the Communist authorities and the opposition to restore the union's legal status and to hold partially free elections to Parliament in June.

Mr Tadeusz Mazowiecki (seen on the right of the picture holding the application with other Solidarity leaders), said: "We hope registration will take place in a few days, that the factory and local commissions will be able to organise without further obstacles, and that Solidarity will return to life as a powerful union."

Red Army Faction hits fresh targets

By David Goodhart

SYMPATHISERS of jailed leftwing guerrillas on hunger strike firebombed an office in Hamburg yesterday to support their campaign for political prisoner status.

But West German Chancellor Helmut Kohl vowed not to give in to the guerrillas' demands to be held together in prison. "There can be no question that I permit the state to be blackmailed," he told a news conference.

Police said Red Army Faction sympathisers smashed the office door of the West German Employers' Association in Hamburg and threw two fire bombs in.

On Wednesday masked youths broke into the Frankfurt Stock Exchange and hurled firebombs into the main trading hall; three were arrested.

The RAF, the West Germany terrorist group responsible for the deaths of several public figures in the 1970s, is once more causing political anxiety thanks to a highly effective prison hunger strike which has now been joined by 33 out of a total of 49 RAF prisoners.

Growth of Dutch economy to 'slow'

By Laura Raun in Amsterdam

DUTCH economic growth will double to 4 per cent this year from 1988 but will slow to 3 per cent next year, according to the semi-government Central Plan Bureau.

Exports and investments will fuel gross national product this year while exports and consumer spending will take over as the motors in 1989, the bureau announced.

Inflation should stabilise at a modest 1.5 per cent this year and next, and unemployment is seen falling moderately. The bureau's forecast is significantly more optimistic than other recently published figures and must be seen against the background of general elections in 1990.

An annual economic outlook normally is released in the spring but both 1989 and 1990 are addressed this time to shed light on the economy and government finances during the cabinet's last two years.

The European Commission believes the Netherlands' gross domestic product will expand to 3.25 per cent in 1989.

This expansion would be faster than the European Community average of 3 per cent, but is forecast to slow to 2.25 per cent next year.

The Organisation for Economic Co-operation and Development predicts 2.5 per cent growth in GDP for 1989 and 1990.

The Central Plan Bureau predicts that Dutch exports will climb 6 per cent this year, slipping to 5.5 per cent in 1990. Meanwhile business investment will surge 9.25 per cent in 1989, buoyed by aircraft purchases, but plunge to 2 per cent in the year after.

Consumer spending will rise by 3.5 per cent on improved purchasing power and employment but will taper off to 3 per in 1990.

Large tax cuts in 1990 will not immediately prompt consumers to spend significantly more, the bureau explains.

Unemployment is seen dropping from 435,000 in 1988 to 420,000 this year and 405,000 next year. The balance of payments surplus is expected to narrow sharply from Fl10.7bn (\$5.05bn)last year to Fl7bn in 1989 but widen to Fl8bn in 1990.

The Plan Bureau warns of distinct risks to the Dutch economy, which could scale back the forecasts, because it is heavily influenced by international developments, notably slow world trade, high inflation and firmer interest rates.

EUROPEAN NEWS

Georgia's week of turmoil still has long way to run

IT HAS been a long week in Georgia, but it is not over yet. Today is the much heralded date for a nationalist rally in Tbilisi. It has been called to mark the anniversary of a demonstration held in 1978 to protest at plans then afoot to make Russian an official language in the republic alongside Georgian.

The week has already been eventful. At least 19 people were killed in riots in Tbilisi last weekend. More demonstrations followed on Monday, with troops firing shots to disperse the crowds. By Wednesday, Mr Dzhumber Patiashvili, Party chief of the republic, offered his resignation. That same day, Mr Gorbachev, the Soviet leader, appealed for calm.

The authorities must fear that the public will not heed Mr Gorbachev's warning. Despite this week's violence,

Dissidents will hold a nationalist rally in Tbilisi today if they can, writes James Blitz

and the imprisonment of many key dissident activists, some people will undeniably want to march today.

There is one man for whom today is filled with irony. On this day 11 years ago, Mr Eduard Shevardnadze, then the Georgian Party First Secretary, walked out of the Central Committee building in Tbilisi to hear the demands of thousands of student demonstrators.

Mr Shevardnadze flew to Moscow at once and persuaded the Brezhnev leadership that Russian should not become an official language in his republic.

This week, Mr Shevardnadze, putting aside his role as Soviet Foreign Minister, is back trying to mollify the demonstrators again. He is perhaps the only man who can. Mr Shevardnadze is immensely respected in his home republic and there have been reports that crowds have given him an enthusiastic reception in Tbilisi.

The local people remember that, as First Secretary, he was an early exponent of the enlightenment later dubbed "perestroika". In his 13 years at the top in Georgia, he stamped out much official corruption and introduced a limited number of Gorbachev-style reforms.

But since leaving for the Foreign Ministry in Moscow in 1985, Mr Shevardnadze must have been dismayed to see his reforming work overturned by the more orthodox Mr Patiashvili. As First Secretary, Mr Patiashvili backtracked from his predecessor's economic reforms and engaged in almost no dialogue with the dissident nationalists.

Mr Patiashvili's conservatism reached new heights in last month's elections to the new Congress of People's Deputies. Unlike the Moscow polls, the elections in Georgia were fixed from the start.

The bloody outcome to last weekend's events may have provided the Kremlin with the opportunity to achieve a long-held ambition: the removal of a Georgian First Secretary not toeing the perestroika line. His resignation will almost certainly be granted.

Mr Patiashvili's departure now is essential because he has clearly lost his grip on the public mood. There have been five demonstrations in Tbilisi in five months, some attended by as many as 200,000 people.

At a time when nationalist groups are clamouring for sovereignty in the Baltics and Armenia, the heady nationalist atmosphere is inevitable in a republic like Georgia. Patiashvili's orthodox leadership added to popular dissatisfaction. Georgians have been unhappily measuring the difference between the more enlightened government in Moscow and their orthodox local party.

But the independent groups are not fully able to harness the popular feeling because there are many of them and their policies are divided. They all want different degrees of sovereignty for Georgia.

The one thing that unites the activists is that they tell you not to speak to the other activists. The result of all this is that the groups cannot sap the Party's authority as the united People's Front does in the Baltic states.

That should comfort Mr Shevardnadze as he tries to restore order. What will not comfort him is the determination of the leading dissidents to demonstrate if they can.

Draft Soviet law aims to invigorate local councils

By John Lloyd in Moscow

DECISIONS on two draft laws taken last night by the Soviet politburo show a concern to shift power from the party to the new parliament and local councils (soviets) at all levels.

The official news agency Tass reported that a draft law on local government and the local economy was aimed at "the further development of socialist democracy, restoration of full power to local soviets of people's deputies and enhancement of their role as representative bodies of state authority."

Local soviets have tended to become transmission belts for central or state decisions with all matters of moment referred to higher levels.

The draft law - the provisions of which have not yet been published - may be aimed at invigorating their proceedings in preparation for the time, later this year, when they will be elected on a similar basis to that seen for the Supreme Soviet last month.

A second law, on what is described as "workers control over the functioning of enterprises of trade, public catering and services appears aimed at giving legal basis to the practice initiated by the trade unions last year of inspecting shops and distribution outlets for evidence of corruption and gross inefficiency.

Brittan gives details of banking directive

By Tim Dickson in Strasbourg

THE EC banking directive piloted through the Commission yesterday by Sir Leon Brittan, EC Competition Commissioner, has the following main elements:

- Requests for authorisation by non-EC banks will be notified to the Commission but there will be no automatic "suspension" of their licence by the EC. As originally drafted the plan stipulated that the Commission would apply a foreign reciprocity test to each future application by a foreign bank to establish or acquire a subsidiary in the Community.
- The Commission will examine and monitor how Community banks are treated in non-EC countries, with a first report on this question to be completed before the directive comes into effect. "In this way we can decide quickly when an outside application comes in whether it should be suspended. It will not be done on a case by case basis," the Commission said yesterday.
- As for the definition of reciprocity, the Commission only proposes to open negotiations where equivalent treatment is not granted. But "where it appears to the Commission...that credit institutions of the Community do not enjoy national treatment and the same competitive opportunities as domestic credit institutions in a third country and that the condition of effective market access has not been secured the Commission may in addition to the proposals for negotiation...decide that the competent authorities of the member states shall limit or suspend their decision regarding requests for new authorisations and acquisitions by a parent undertaking governed by the third country in question."

Sir Leon said the provision was not retrospective and could not be applied against banks already established in the EC. He said a case of "effective" discrimination could be where "there was legally no discrimination but in practice there was some." The Commission later gave the example of a country which officially welcomed EC banks but then said there was a long waiting list or could not provide enough telephone lines.

Sir Leon said the modifications were designed to "simplify the directive, make it more flexible and refine the concept".

The Commission hopes the Council of Ministers can reach a so called "common position" on the newly amended directive by the end of June. The measure will then have to return to the European Parliament for a "second reading" before it becomes EC law.

OVERSEAS NEWS

Rev Moon: arrested after flying in from Tokyo

Rev Moon held after visit to North Korea

By Maggie Ford in Seoul

A PROTESTANT minister who made an unauthorised visit to communist North Korea was arrested by police in Seoul yesterday after flying in from Tokyo.

Riot police sealed off the roads to the airport to prevent students gathering to support the Rev Moon Ik Hwan, 71. Thousands demonstrated at universities nationwide against his arrest.

Forty police entered the Northwest Airlines aircraft immediately after it landed and arrested Mr Moon.

His visit caused uproar among conservatives in South Korea when it was announced at Easter.

Mr Moon is expected to be charged under the national security law with making an illegal trip to an "anti-state group" (North Korea), with praising that country and its leader, President Kim Il Sung, and with holding meetings with northern officials. The law prescribes a maximum penalty of death and a minimum of five years' jail.

Mr Moon has been handed into the custody of the Agency for National Security Planning (formerly the Korean CIA).

He spent many years in jail during his fight against two succeeding dictatorial régimes in South Korea. Before his arrest yesterday, he said he hoped his visit would enable people in South Korea to take a different attitude towards the north, breaking down barriers between the two sides.

Mr Moon's visit followed that of Mr Chung Ju Yung, founder of the Hyundai business group, who went to Pyongyang in January.

Japanese trade surplus falls 10%

By Ian Rodger in Tokyo

JAPAN'S merchandise trade surplus in March eased 10 per cent to \$6.7bn (£3.9bn) compared with the same month last year, but the surplus with the US widened substantially, reaching \$4.1bn, 21 per cent higher than in March 1988.

Analysts in Tokyo suspected the figures would add to growing feelings of resentment in Washington and increase the likelihood Tokyo would be singled out for investigation under the Super 301 clauses of last year's Trade Act.

Exports to the US rose 21.6 per cent to \$8.7bn. Imports grew by a healthy 22 per cent to \$4.6bn, partly because of the opening of some Japanese food product markets in the past year, but it was not enough to reverse the widening trend.

On the other hand, the surplus with the European Community dropped 12 per cent to \$1.7bn.

Imports from the EC surged 34.2 per cent to \$2.9bn as European luxury car makers built up stocks in Japan in advance of big tax reductions on April 1.

Japan's total exports in March rose 16.9 per cent to \$26.5bn while imports rose 29.8 per cent to \$19.8bn. On a seasonally-adjusted basis, the March surplus tumbled by a third to \$5.5bn from February. But economists doubted this indicated a resumption of a trend of declining surpluses.

The figures are distorted by large aircraft imports and by big swings in oil import volumes and prices.

For the full fiscal year to March 31, 1989, the trade surplus on a customs-cleared basis totalled \$79bn, up 4 per cent from the previous fiscal year.

Mr David Pike of UBS Phillips and Drew said it suggested the out-turn on a balance of payments basis would be about \$85bn, far above Tokyo's initial forecast.

Takeshita comes under fresh pressure to end Recruit crisis

By Stefan Wagstyl in Tokyo

MR Noboru Takeshita, the Japanese Prime Minister, was yesterday put under fresh pressure by members of his own party to defuse the crisis caused by the Recruit scandal.

Thirty-six junior members of the Diet (Parliament) belonging to the ruling Liberal Democratic Party formed a new grouping called the Liberal Reform League, aimed at trying to restore popular confidence in the party.

The members said they wanted senior party figures alleged to be involved in the Recruit affair to come clean by giving evidence before the Diet.

Their message is directed principally at Mr Yasuhiro Nakasone, the former prime minister, who has disrupted Diet business by refusing to give evidence. Mr Takeshita submitted himself to questioning on Tuesday.

The grouping drew support from members across all factions of the party, including seven from Mr Nakasone's, 12 from that of Mr Shintaro Abe, the party's secretary-general, and eight from Mr Kiichi Miyazawa's, the former finance minister.

However, only two members came from the Takeshita faction, the largest - a strong sign that the cross-faction grouping still lacks real political muscle. Nevertheless, Mr Takeshita cannot afford to ignore the young Dietmen's message since it echoes the voice of popular opinion which wants an end to corruption in government.

The scandal erupted last year when it emerged that influential people, including politicians, had received financial favours from Recruit, a publishing company, in the form of cut-price shares.

In a further development, three senior officials at the Japanese Ministry of Education are due to resign today for alleged peripheral involvement in the Recruit financial scandal.

The three were colleagues of Mr Kunio Takaishi, the former education vice-minister, who has been arrested on allegations of accepting bribes from Recruit.

Mr Takaishi allegedly turned a blind eye to complaints about Recruit's job-advertisement magazines. In return, he is said to have been offered an opportunity to buy shares cheaply in Recruit Cosmos, an affiliate of Recruit, and to have been entertained at Recruit's expense.

The three officials who are to leave the ministry today are accused of having accompanied Mr Takaishi on golf trips paid for by Recruit and to a party. The three are Mr Moriyuki Kato, vice-minister for internal administration, and Mr Sumiichi Furumura and Mr Taijun Saito, both bureau directors in the ministry.

Akihito likely to visit Peking

By Robert Thomson in Peking

JAPAN'S Emperor Akihito yesterday indicated he would accept an invitation from the Chinese Premier, Li Peng, for a history-making visit to Peking, while China volunteered to help Japan improve its troubled relations with North Korea.

Li and China's Foreign Minister, Qian Qichen, who are in Tokyo on a five-day visit, said they will pass on Japan's wishes to improve relations to North Korean officials, and were asked by Japanese officials to mediate in disputes between Pyongyang and Tokyo.

The Chinese Premier lunched with Emperor Akihito, who was expected to express, albeit subtly, his concern about Japanese actions during World War II.

After having been formally invited by Li to visit China, the Emperor said he would refer the matter to the Japanese government, but would "like to go".

Li Peng: assurances

A China visit is unlikely before next year, as the Imperial family is mourning the late Emperor Hirohito.

China's concern with Japan's interpretation of its wartime aggression was reflected in Li's warning that the two countries must "deal cautiously" with historical problems. He praised Tokyo for clearing the path to better relations with North Korea by apologising late last month for having colonised the Korean Peninsula.

However, the Chinese Foreign Minister told his hosts that further improvement in Sino-South Korean relations is unlikely in the short term, despite recent expansion of economic relations. At present, Peking, which fought alongside the North during the Korean War, has no diplomatic ties with Seoul.

Japanese officials have sought assurances that improving Sino-Soviet relations will not compromise Sino-Japanese relations. Apart from giving those assurances, Li, according to Japanese officials, indicated support for Japan's claims to disputed northern islands at present occupied by the Soviet Union.

US to resume aid to Cairo

By Tony Walker in Cairo

THE US, anxious to bolster Egypt at a sensitive moment in the search for Middle East peace, has indicated that it will resume disbursing aid.

Cairo's undertaking to increase energy prices to industry by 30 per cent to 40 per cent was the key to a US agreement to release about \$230m in a cash grant and to increase several other categories of aid to help the hard-pressed Egyptians.

The disbursement of this aid had been held up because of displeasure at the slow pace of Egypt's economic reform.

But local bankers and economists say the additional assistance will afford only limited relief for Egypt which is grappling with a range of problems from inflationary pressures to an acute shortage of hard currency.

A sharp depreciation in the value of the Egyptian pound by about 20 per cent against foreign currencies in the past month is attributable to the foreign exchange squeeze.

The US decision to release the cash aid and to offer extra help followed a visit to Washington earlier this month by President Hosni Mubarak who argued strongly for greater assistance. The US has been providing Egypt with \$2.3bn in civil and military aid annually, making it the American's second largest aid recipient after Israel.

Apart from the agreement to "unfreeze" the \$230m cash aid, which includes \$115m left over from fiscal 1988, the US has also offered Egypt an additional \$150m in credits for agricultural purchases and an extra \$100m under the Commodity Import Programme to assist private sector businesses to import raw materials and capital goods.

The US will also begin disbursing \$330m which it has earmarked for assistance for the electricity sector. These funds have been held up pending Egypt's agreement to raise energy prices.

The Egyptian government, which is highly sensitive to public criticism about price rises, is following its normal pattern of not announcing the energy price increases. Confirming the decision to raise energy prices to industry, Egyptian officials insist it will not affect the poor.

Officials say that other measures requested by Egypt's Western aid donors and international lending institutions are in the pipeline and will be announced over the next few weeks. One of these steps is understood to involve moves to restructure Egypt's inefficient public sector which accounts for about 70 per cent of industrial output.

The IMF and the World Bank have been engaged in difficult negotiations with Egypt on an enhanced reform programme. The energy price rises will go some way towards satisfying conditions for further assistance.

Six Palestinians die in clash

By Hugh Carnegy in Jerusalem

AS MANY as six Palestinians were reported shot dead yesterday and 15 injured, several critically, in one of the most serious single incidents of the 16-month-old Palestinian uprising in the Israeli-occupied West Bank and Gaza Strip.

The shootings by paramilitary border police in a village near Bethlehem sparked clashes with the security forces in surrounding West Bank areas.

The incident climaxed an upsurge of violence which began last Friday when rioting broke out in Jerusalem's Old City after the first Friday prayers of the Moslem fasting month of Ramadan.

The week's events have wrecked hopes of the Israeli authorities that Ramadan would see a lessening of violence in the intifada (uprising), creating a more favourable atmosphere for plans for elections in the occupied territories announced in Washington last week by Mr Yitzhak Shamir, the Prime Minister.

Mr Shamir returns to Israel today with little sign of any acceptance of his election proposal among Palestinians.

As he flies home, much attention will again be focused on Friday prayers in the Old City where security forces are braced for a huge crowd of worshippers inevitably angered by yesterday's shootings.

Accounts of exactly what happened in the village of Nahalin differed. Local residents named six people they said had been shot dead by border police, in a series of incidents including provocation of locals by groups, some of whom were dressed in civilian clothes.

But a statement by the army only confirmed four dead and 11 wounded. It said a high-level investigation had been launched but gave no further details.

Senior officers, clearly worried by the way the security forces had handled the incident, said that the shootings had arisen after security forces had been attacked by Palestinians in the village.

In Jerusalem during the week, a Palestinian was shot dead by a Jew, apparently in retaliation for the injuring of Jews praying at the Wailing Wall during last Friday's riots in the Old City.

Montazeri's son arrested by revolutionary guards

By Victor Mallet

IRANIAN Revolutionary Guards have arrested the son and son-in-law of Ayatollah Hossein Ali Montazeri, the man forced to resign last month as successor to Ayatollah Ruhollah Khomeini.

The arrests, reported by the opposition People's Mujahideen group and corroborated by other Iranians mark a worsening of the feuds between different factions of the Iranian religious elite in the aftermath of the Gulf war and the Rushdie affair.

Earlier this month the Mujahideen said a number of people were killed in clashes in the central town of Najafabad, Montazeri's home town, between his supporters and forces loyal to Khomeini.

Although the Iranian authorities have only hinted at the disturbances in their statements inside Iran, the clashes were confirmed this week by the weekly international edition of the country's Kayhan newspaper. It said "some opportunist elements" had taken advantage of Montazeri's resignation to cause the riots.

The Mujahideen said yesterday that Revolutionary Guards raided the house of Hadi Hashemi, Montazeri's son-in-law, and detained him and Montazeri's son Saeed, amid speculation that they might have been involved in the Najafabad protests. The Guards were said to have beaten up the occupants of the house, including Hashemi's wife, who is Montazeri's daughter. The Mujahideen also said hundreds of members of the security forces in Najafabad had been sacked, and some had been jailed.

Montazeri's position was undermined as early as 1986 by his close association with Hadi's brother Mehdi Hashemi, the man who first revealed the Iran-Contra affair.

Mehdi Hashemi fell foul of Iran's leadership for his over-enthusiastic attempts to export the Iranian revolution, and he was executed in 1987.

The crackdown on Montazeri's associates was foreshadowed by Khomeini last month in his letter to Montazeri accepting his resignation. "I advise you to cleanse your household of unsuitable individuals and seriously prevent the comings and goings of the opponents of the system".

Renewed Beirut fighting raises toll to 200

SYRIAN and Christian gunners battled across Beirut's dividing Green Line, blasting harbours and residential districts as Lebanon's civil war began its 15th year, AP reports from Beirut.

The bombardment resumed amid efforts by a French envoy to finalise evacuation of wounded Christians and Moslems to a French navy hospital ship. It also complicated the task of an Arab League mediation panel in Kuwait seeking to enforce a cease-fire and open the way for constitutional reforms.

Over four people were killed yesterday, raising the death toll to 200 since the latest fighting erupted on March 8.

Syria apologises

Syria has apologized to the Soviet Union for a helicopter rocket attack on two Soviet navy vessels and a preliminary investigation indicated pilot error, a Foreign Ministry spokesman said, AP reports from Moscow.

The attack, which injured seven Soviet crew members, took place on Tuesday near the Syrian port of Tartus.

African initiative

A new initiative to attempt to improve the often poor quality of management of companies in Africa was launched in Amsterdam yesterday, reports *Stephen Fidler*.

The African Management Services Company, or Amsco, is a co-operative effort between the International Finance Corporation, the private sector affiliate of the World Bank, in collaboration with the United Nations Development Programme, the African Development Bank and numerous private companies.

Amsco has fiscal immunity from the Dutch government for 10 years.

Nurturing a profit motive in Africa, Page 26.

Early Australia poll ruled out after tax cut attack

By Chris Sherwell in Sydney

AUSTRALIA'S Labor government yesterday ruled out an election this year as the opposition attacked its tax cuts and pay rise package as "an exercise to divert attention from a collapsing economic strategy".

Mr Bob Hawke, Prime Minister, and Mr Paul Keating, federal Treasurer, insisted Wednesday's package was not geared to an election, due any time before mid-1990.

But Mr John Howard, opposition leader, said Australians did not believe them, and used his right of response to lambast their record.

The government, he said, should have reduced government spending, promoted savings, begun a comprehensive privatisation programme, and removed telecommunications barriers.

Mr Keating's package will give A\$4.9bn cuts to all marginal tax rates, A\$710m in additional welfare payouts, and 6.5 per cent pay rises in return for overhauled work practices.

Report accuses Zimbabwean ministers of corruption

By Tony Hawkins in Harare

A REPORT by a Zimbabwe government commission, published yesterday, presents President Robert Mugabe with his greatest political challenge since taking office in 1979.

It accuses five government ministers and one provincial governor of abusing their privileges by using their official positions to obtain motor vehicles from a state-owned assembly plant, and then of reselling the vehicles at a vast profit.

The Commission, chaired by Mr Justice Sandura, was appointed last year by President Mugabe to investigate allegations that government ministers had obtained motor vehicles from the Willowvale assembly plant, then resold the cars at a profit in breach of the country's price control laws.

Hours after the report was released, a government spokesman said the commission had been reappointed to investigate other alleged irregularities in the country's two other vehicle plants - the Dahmer Company which assembles trucks, and Leyland Zimbabwe, which assembles cars and trucks.

Mr Mugabe is scheduled to make a major address next week which, according to Mr Joshua Nkomo, a senior government minister, will change the country "politically, socially and economically."

The President will have to come to terms with the fact that some of his closest associates have been condemned by the commission, and attempt to restore the reputation of the ruling Zanu-PF party, now seriously undermined.

Zimbabweans queued for hours to buy morning newspapers which summarised the Commission findings on the so-called Willogate scandal.

The findings included a recommendation that 15 witnesses, among them four cabinet ministers, one governor and two members of parliament be charged with perjury for lying to the Commission.

Six Ministers and former Ministers and two MPs also face prosecution in terms of the country's price control regulations.

Three Ministers, including two of President Mugabe's closest associates - Mr Enos Nkala, the Defence Minister, and Mr Maurice Nyagumbo, the Political Affairs Minister - have already resigned.

The third government Minister, Mr Fred Shava, the former Labour Minister, is accused by the Comission of acting like "a second-hand car dealer" and of earning some \$70,000 from reselling cars above the official price.

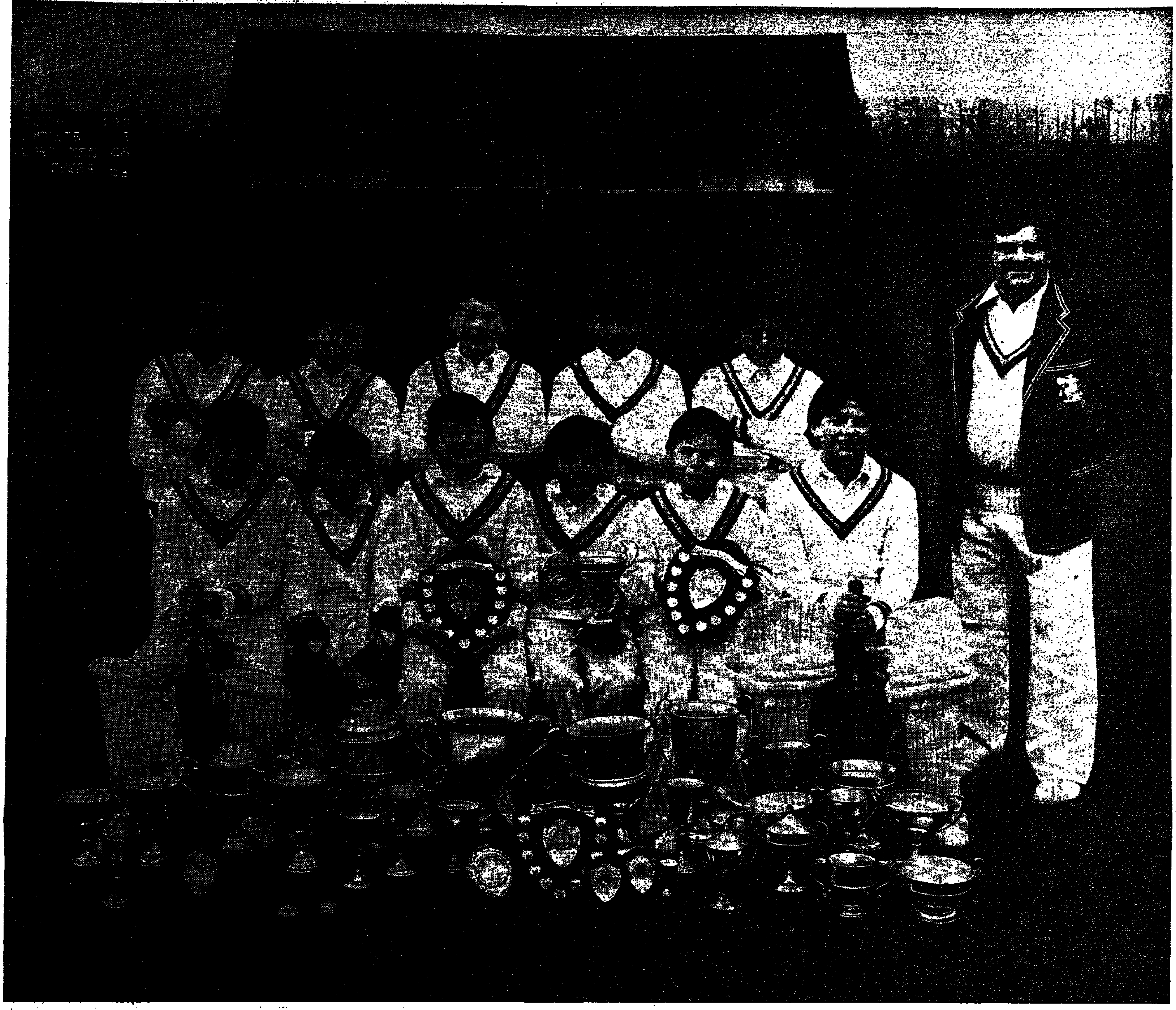
Mr Callistus Ndlovu, the Industry Minister, Mr Dzingai Mutumbuka, the Higher Education Minister, and Mr Jacob Mudenda, governor of Matabeleland, have so far not resigned.

The Commission said Mr Ndlovu had come very close to being "detained in the cells", describing the Industry Minister as an "arrogant, aggressive and bitter witness".

It also urged the ruling Zanu-PF party and the police to undertake "a very thorough investigation" of the party's company, Zidco.

It warned that "certain people" may well be using Zidco to make "a considerable amount of money for themselves."

Mugabe: biggest challenge since taking office



AMERICAN NEWS

Argentine emergency measures expected

By Gary Mead in Buenos Aires

MR Juan Carlos Pugliese, Argentina's recently-appointed Economy Minister, was due last night to announce emergency measures in an attempt to stem runaway inflation and restore confidence in the austral currency.

A number of financial and economic problems have come together in the last two weeks, producing an atmosphere verging on panic. Argentina is approaching a presidential election on May 14 in which the economy will be a crucial issue.

On Wednesday the black market rate for the austral broke all records. At one point the unofficial price of the dollar reached 58 australs before closing at 56, almost 180 per cent more than the officially fixed rate of 20.1 australs.

Last week Mr Pugliese devalued the austral by 21 per cent, in the hope of halting the frantic unofficial currency dealing which has been going on since the first week in February.

Yesterday the unofficial rate dropped slightly to 54 australs to the dollar. Monthly interest rates hit 45 per cent, while speculation increased that the rate of inflation for April may be in excess of 30 per cent compared with 17 per cent in March.

Mr Pugliese's appointment in March was widely regarded as a political move designed to calm financial speculation and provide a smoother economic path to the elections. But since then the situation has worsened: wholesale manufacturers have increased prices in the last month by between 30 and 150 per cent as they attempt to catch up with what they claim to be repressed costs of the last few months.

A price control agreement between government and industry broke up in the first week of February as manufacturers accused the Government of departing from the spirit of the agreement.

Mr Pugliese's emergency measures are likely to include a government-imposed price freeze – fixing prices at the level of April 7 – strong currency exchange restrictions and sharp increases in public sector tariffs.

Mexico hopes to stem capital flow

By Richard Johns in Mexico City

MEXICAN officials hope that the agreement clinched on Tuesday with the International Monetary Fund will help to reverse the flow of capital from the country and stabilise its current account.

Fears of a resumption of the capital flight, which drained reserves last summer, has been a catalyst speeding up the Government's negotiations for a debt deal with the international financial community. At the same time prevention of capital flight has been seen in Mexico City as a vital confidence building measure in talks due to begin next week with representatives of the 550 creditor banks.

In a switchback movement reflecting the country's hopes and fears about debt rescheduling, Mexico's Bolsa de Valores responded to the Government's agreement with the International Monetary Fund with a flurry of enthusiasm before subsiding into a mood of more cautious realism.

In the first hour's trading on Wednesday the price index, a notoriously volatile weathervane of confidence, leapt by some 7,000 points – an increase which recalled those of September 1987 prior to the dramatic market crash – before subsiding. It closed at 244,781.5, a modest rise of 0.79 per cent.

In anticipation of the IMF accord, however, the index had risen by 5.22 per cent in four days trading. It now stands at its highest since the precipitous fall in autumn 1987 and one comparing with 211,531.78 at which the Bolsa closed at the end of 1988.

Much depends on whether the authorities can soon display an acceptable level of reserves. The level of foreign exchange reserves remains a deep secret and a matter of speculation. There is also puzzlement as to why the Government has not published final trade statistics for 1988 and in particular, those for December.

Dr Rogelio Ramirez de la O, a leading independent economist finds the long delay "suspicious". Shortly before announcement of the IMF accord he said the further deterioration of Mexico's current account was in prospect – a deficit of $4.8bn is officially projected for 1988 – and "the Government must be prepared to find foreign finance or face an exchange rate adjustment".

But senior Mexican officials now maintain that a substantial proportion of Mexican flight capital could return in the light of the IMF deal.

Looking for a model debt menu

Stephen Fidler previews Mexico's talks with its bank creditors

MEXICO'S debt negotiators and their leading bank creditors sit down to talks next Wednesday in an attempt to forge a deal that they know will be looked on as a blueprint.

Mr Angel Gurria, Mexico's chief debt negotiator, has been in the post more or less since the debt crisis broke in 1982 when the country announced it could not meet its debt payments. Across the table from him, Mr William Rhodes of Citicorp has headed the 13-strong Mexico bank advisory group since then.

Both know that the agreement they make will probably be the first to incorporate the debt proposals announced by Mr Nicholas Brady, US Treasury Secretary, on March 10. This agreement – to quote Mr Shafiqul Islam of the Council on Foreign Relations in New York – will be the first on which debt reduction is "no longer simply an appetiser on the 'menu of options', but the main course."

The precedents for a quick resolution are not good. The last big agreement between banks and a debtor country – Brazil – took months to arrange. While innovative in some respects, the precedents set by the Brazilian deal were relatively limited compared with those expected to emerge from the Mexico deal.

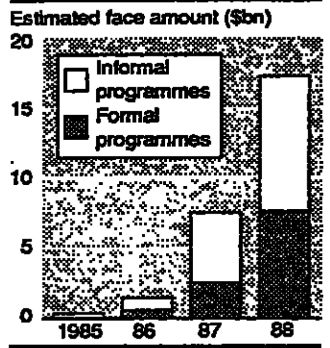
However, political momentum behind the Mexico deal is high and there is a strong view delay could be dangerous, not only for Mexico but for those countries that hope to follow its example. Neither is Mexico negotiating from a position of strength, as was Brazil.

Mexico has already indicated it will offer banks four options: debt principal or interest reduction, new loans or voluntary capitalisation of interest – the rolling up of interest payments as new loans.

Debt principal reduction can be using World Bank or IMF funds for a straight buy-back

Voluntary bank debt reduction

Estimated face amount ($bn)



of Mexican loans at a discount or buying collateral to back new bonds with a lower face value, which will then be exchanged for loans. Or the funds could be used to provide support for interest payments.

As they start to negotiate, however, neither the banks nor the Mexicans will know exactly how the pie can be divided between debt principal and debt interest reduction.

Financing interest reduction proved to be the most controversial aspect of the Brady proposals at the meetings of the IMF and World Bank in Washington last week. As a result, it is still under study, despite being viewed in many quarters as the most effective way of reducing the Mexico's capital outflows.

Reducing interest payments has a number of advantages over reducing principal, and it is an idea that finds favour among bankers, academics and in debtor countries. The advantages include:

● It addresses more directly the main issue of resource outflows. Debt principal reduction must be significant before it starts to influence debt service.

● Unlike debt principal reduction, it is not necessarily for ever. This provides some comfort to those worried that debt principal reduction will be difficult to operate over an extended period and that the incentives to meeting IMF and World Bank conditionality will be thus weakened.

● Bankers see interest reduction as offering some "upside", where the price of an export commodity such as oil rises. Interest support for a limited period could be lifted in the case of Mexico if the oil price were to rise significantly. In bankers' parlance, this is a recapture clause.

● Low interest bonds would carry a fixed interest rate, which would not be affected by rising money market rates. A couple of percentage points on US interest rates can wipe out the benefit of even a significant debt principal reduction.

● US banks are expected to benefit from the accounting treatment of low interest bonds under accounting rule FASB 15.

Given the uncertainty of support from the multilateral institutions, it is difficult to imagine how negotiations can resolve a proposed price for low-interest bonds or reduced principal bonds. Even if a price can be resolved, it is hard to see how this would prove optimal for the World Bank or the IMF, given that their intervention would presumably aim to provide the most debt or debt service reduction for the dollar. What if the prices being offered by the banks do not provide a great enough discount for the IMF or World Bank to intervene?

There is also widespread concern about what is called front-loading – the concentration of the benefits of a debt reduction deal in the early part of the deal. The risk, some bankers and government officials believe, is that extensive debt reduction in the early stage of a programme means there is little incentive for countries to continue to abide by IMF and World Bank economic conditions. Yet, if the debt reduction benefits are spread out over a number of years, the incentives for banks are to ignore the first debt reduction opportunities and wait in the hope that others will participate and reduce the discount on the old loans.

Attack on 'minimalist' approach to US budget

By Simon Holberton, Economics Staff

THE FAILURE of the Bush administration to break with the past and grapple with the problems posed by the US budget deficit has increased the risk of a "hard landing" for the US and world economies, according to a leading commentator on economic affairs.

There were also clear signs that progress towards the correction of global trade imbalances had stalled and this, together with the budget impasse, raised the possibility that financial markets would tire of financing the US current account deficit at current exchange rates and seek to force the dollar lower.

Mr Fred Bergsten, director of the Washington-based Institute for International Economics, told a conference in London, sponsored by American Express Bank, that President Bush's proposals for the budget represented a "minimalist" approach which would probably not lead to any effective measures to reduce the US federal deficit.

He said a dollar depreciation in the current circumstances, where capacity utilisation in the US was very high and there was increasing evidence of tightness in labour markets, would fuel US inflation and force the US Federal Reserve to increase interest rates.

Such an outcome could trigger a recession and have unhelpful consequences for the US financial system, Third World debt and and world economy.

In general, however, Mr Bergsten, and his colleagues at yesterday's conference, Mr William Cline and Mr Stephen Marris, said the dollar would have to depreciate by up to 10 per cent for the US current account deficit to be reduced.

A parallel trade-weighted revaluation of nearly 30 per cent for the Japanese yen and nearly 25 per cent for the D-Mark would also be required.

Research by Mr Cline indicates that on unchanged policies the US current account deficit will be more than $150bn in 1992, while under his proposals for co-ordinated currency revaluation and other measures it could be less than $50bn.

Further US retail recession reflects flat earnings

By Anthony Harris in Washington

THE US retail sales recession continued in March, with the cash value of sales advancing only 0.1 per cent, according to the advance estimate from the Census Bureau yesterday.

The sales rise, however, amounted to 0.2 per cent if the depressed car sector is excluded – though latest figures show car sales went on to recover in April.

Retail sales growth this year remains far below the recent rate of inflation. Weekly earnings in industry have also stood still since January, after advancing strongly in 1988.

Total sales have now advanced only 0.5 per cent in the last six months, or 1.8 per cent excluding the car trade, where turnover has fallen by 3 per cent. Prices rose 1.6 per cent in the first five months of this period, so the trend in real spending has been slightly downwards outside the car market.

Unit car sales in the first quarter of 1989 were 11 per cent lower than in 1988. However, early April reports show a rebound in sales after the major manufacturers launched new cheap credit terms. Sales in the first ten days of the month are estimated to have risen just over 10 per cent from the March level.

Throughout the year buyers have been sheltered by from high interest rates by the concessionary financing offered by all the major manufacturers, but with little effect. Rates were cut again this month, with Chrysler, which is especially heavily overstocked, offering interest-free loans.

It seems clear that some buyers were waiting for better terms, but industry analysts still question how long the sales recovery can be sustained. Car stocks are more than 20 per cent above normal, with supplies at the beginning of the month at 77 days' sales, against a normal 60-65 days.

Low pay bill proceeds despite threat of veto

By Nancy Dunne in Washington

LEGISLATION to boost the US minimum wage to $4.55 an hour by late 1991 is headed toward a conference committee of the House and Senate despite the threat of a veto by President Bush.

The Senate vote on Wednesday of 62-37 was five short of the necessary margin to override a presidential veto. However, Senator Edward Kennedy, chairman of the Senate Labour Committee which produced the bill, said he hoped the President would reconsider his threat.

President Bush has agreed to a rise from the current $3.35 wage an hour to $4.25 over the next three years, but no more.

He has also insisted that the plan contain a six-month sub-minimum "training wage." Both the House and the Senate modified their original bills to include a 60-day training wage. The few differences in the two bills will be resolved in the conference committee.

Lockerbie probe focuses on passengers

US federal investigators have identified a handful of passengers who may have unwittingly carried aboard the bomb that caused a Pan Am aircraft to crash over Lockerbie, Scotland, last December, AP reports from Washington.

CBS television reported on Wednesday that suspicion for the bombing, which killed 259 people aboard and 11 on the ground, had focused on a member of the Popular Front for the Liberation of Palestine-General Command, who is a relative of Hafez Dalkamoni, currently in a West German prison on terrorism charges. CBS said investigators believed the passenger who unwittingly carried the bomb was Mr Khalid Jaafar, a Lebanese-American college student who lived in Michigan.

But a US administration official yesterday disputed the CBS account. He said investigators had not identified Mr Jaafar as the passenger bearing the bomb and that Mr Jaafar was only one of several possible passengers identified.

WORLD TRADE NEWS

Hills rejects call for US to adopt 'managed trade'

By Peter Riddell, US Editor, in Chicago

MRS Carla Hills, the US Trade Representative, has reiterated the Bush Administration's commitment to free trade and rejected the option of "managed" trade.

Managed trade is now being urged by some US businessmen. It involves bilateral deals between the US and its trading partners, covering permitted volumes of business in individual sectors. Adoption of such a policy would seen by many as a slide into protectionism.

In comments to reporters during a conference here organised by the Chicago Council on Foreign Relations, Mrs Hills clarified previous ambiguities about the Administration's approach. These had arisen following a report six weeks ago by a group of private sector advisers to her with the alternative option of managed trade and targets for market shares.

Mrs Hills said she was opposed to this approach which would lead to the establishment of cartels.

The US, she argued, should "swear off the idea of market share targets." She said agreeing on particular shares made no sense and she pointed to the semiconductor agreement between the US and Japan which had not worked.

However, Mrs Hills warned of "growing frustration" in Congress about trade dislocations in US-Japanese relations. She referred to "antagonism accelerating" because of the perception of the US private sector that markets were not open in Japan. Business leaders in their frustration were resorting to calls for managed trade.

She maintained that it was in Japan's best interests to import more since it would be badly hit if the correction to the imbalance between the countries took place in the context of import contraction rather than export expansion. The former, she said, would amount to a recession. Instead, she urged Japan to import more for its own long-term economic health.

Seoul lobbies US amid fears of retaliation

By Maggie Ford in Seoul

SOUTH KOREA has launched a big lobbying effort in Washington to avoid being designated a priority foreign country under the US Omnibus Trade Act. This would mean the US regarding them as unfair traders and liable to retaliation.

A team of officials are holding meetings on Capitol Hill and will be joined next week by Mr Han Seung Soo, the Minister of Trade and Industry.

US officials are concerned about several South Korean policies, including high tariffs and customs duties, non-tariff barriers and restrictions on financial movements.

The US sees room for improvement in agricultural products, telecommunications, protection of intellectual property rights and the appreciation of the won currency.

Seoul has already been designated a priority country over its telecommunications policy and now has a year to negotiate changes before facing retaliation. The act removes the discretion of the President to decide not to retaliate against a designated country.

South Korean officials have taken several steps to avoid being named an unfair trader. Under the act, designation must take place by the end of this month.

Seoul last year appreciated the won by 16 per cent against the US dollar, although the rate has now slowed. Recently it has stimulated imports, reducing its trade surplus for January and February from $1.5bn in 1988 to $756m this year.

The February trade surplus with the US was reduced from $624m last year to $417m in 1989 following a drive to diversify sources of imports from Japan and a lifting of market restrictions.

This week Seoul lifted tariffs on several hundred agricultural products whose import was restricted and announced a Won 500bn package of measures to help farmers who may be hit by the imports.

A buying mission has also been despatched to the US with plans to spend $1.6bn on American products. Two South Korean airlines this week ordered aircraft worth $1.2bn from Boeing and McDonnell Douglas.

Diversion fails to amuse Colgate

Tim Burt reports on a legal battle over cheap imported toothpaste

AN ACTION brought against an importer by Colgate-Palmolive, the household goods multi-national, in the Appeal Court in London this week, has focussed attention on the trading practices of diverters.

Diverters are not latter-day smugglers but well-organised businessmen who obtain branded goods from countries where they are produced or sold cheaply and sell them to retailers in countries where the same brands sell at a higher price.

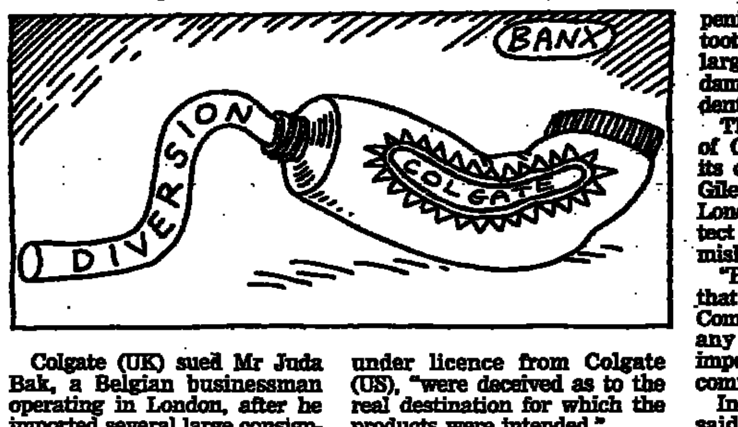
Profits running into millions of dollars can be made by diverters, according to Revlon, the US cosmetics multinational, which has also gone to court to protect its products against cheap imports.

Luxury goods and consumer products such as jewellery, alcohol, cosmetics, clothes and even food, are among the most lucrative targets for diverters, Revlon said.

Colgate (UK) claims that the widespread practice of diverting is harming its reputation and undermining its market share.

The US National Food Brokers Association (NFBA) in Washington says: "Diverting price lists are electronically available daily. Often participants are aided by manufacturers and sales forces.

"Diverting is not a new creation. It has always been there. However, today its usage has been tremendously accelerated and sophisticated. It destroys sales comparisons by area, and local sales and marketing plans are derailed."



Colgate (UK) sued Mr Juda Bak, a Belgian businessman operating in London, after he imported several large consignments of Colgate toothpaste to the UK from Brazil, where it was made under licence with an export market restricted to Bolivia, Paraguay, Chile and Nigeria.

Colgate (UK) told the High Court that because of price restrictions and a shortage of raw materials in Brazil, the toothpaste made there relied on local chalk as a main constituent and was of "inferior" quality compared with the toothpaste made in the UK.

Mr Bak, who was found guilty in the High Court of passing off (one product as another) and infringement of trademark, said he was unaware that the consignments of toothpaste from Brazil to London had been granted an export licence on the understanding they were destined for Nigeria.

Mr Justice Falconer, the High Court judge, said Limatada, the company manufacturing the toothpaste in Brazil under licence from Colgate (US), "were deceived as to the real destination for which the products were intended."

He agreed with Colgate (UK) that shoppers who bought the toothpaste in Britain, where it was sold to retailers at up to 15 per cent lower than the UK-produced Colgate, "had been deceived and, being dissatisfied, had complained. It was plain these misrepresentations would result in damage to Colgate's reputation in the United Kingdom."

Mr Bak is appealing against the judgment. "Colgate cannot complain if it produces, throughout the world, products of different quality. This case shows that big companies now want to clamp down on diversion," said his solicitors S.J. Birwin & Co, of London.

Mr Bak's solicitors are confident of winning their appeal but Ms Ann Harper, a legal expert working for Colgate (UK), said the company would consider taking the case to the House of Lords, Britain's highest law court, if it lost the case.

"We want to stop this happening again if we can. This toothpaste was coming in such large quantities that it was damaging our reputation and denting our market share."

The International Chamber of Commerce has also voiced its concern over diverting. Mr Giles Wyburd, ICC director in London, said: "We want to protect consumers against being misled.

"But we make it quite clear that it is contrary to European Community law for there to be any restrictions on parallel imports (diversions) within the community."

In Washington, the NFBA said many senior managers were aware that their own sales force were diverting their products. "Diverting, particularly organised diversion, can exist only when manufacturers consciously support the activity. Sales organisations either knowingly contribute or are passive about its operation," according to the NFBA.

A spokesman for Revlon, which lost its case in the UK courts over what it claimed was illegal diversion of its shampoo from the US, suggested senior management in some multinationals turned a blind eye to diverting and on occasion took advantage of it.

"A lot of the time diverters are used by companies to get rid of stuff which is old. It's a way of inventory clearance," the Revlon spokesman said.

"A product which is a poor seller in one country may be sold to a known diverter to maintain turnover and sales. Nobody likes a diverter but everybody needs them."

UK importer in Soviet vehicle venture

By Peter Montagnon, World Trade Editor

SATRA International, which imports Lada cars into the UK, has established a Soviet joint venture to channel Western equipment, tooling, components and know-how to the Soviet motor industry.

The venture is the first to be signed by any Western company with Avtoexport, the Moscow organisation responsible for Soviet motor exports. Satra said the venture was well-positioned to take advantage of the increased foreign trade freedoms for Soviet enterprises from this month.

In return for arranging imports of equipment and know-how to the Soviet Union, the venture will also promote Soviet export sales through such activities as the development of finance schemes and vehicle leasing services.

Meanwhile the Export Credits Guarantee Department has guaranteed DM24m credit to finance sales of UK goods and services to Bulgaria.

Peking metro order

Metro-tec, a British consortium led by Balfour Beatty, has won a £20m order for signalling and electro-mechanical engineering modernisation work on the Peking metro. The contract will be financed under last year's UK government £300m credit for China.

Gulf Airbus deal

Gulf Air, the airline jointly owned by the governments of Bahrain, Oman, Qatar and Abu Dhabi, is to buy 12 Airbus A320 and six Boeing 767-300ER aircraft for about $1bn, Victor Mallet writes.

Gulf Air also has options on a further 12 Airbus A320s and six Boeing 767s.

Stinger consortium

Turkey plans to produce parts for US-designed Stinger anti-aircraft missiles in a consortium with Dutch, Greek and West German companies, Reuter reports from Ankara.

The Defence Ministry said electronic, guidance system and motor parts, for assembly in Germany, would be built in Turkey, which would have a 40.6 per cent production share.

Japanese dock strike heads for crisis point

By Robert Thomson in Tokyo

JAPAN'S week-long docks strike will reach crisis point unless dockers accept a new pay and conditions offer at meetings this weekend, according to shippers.

The strike has severely hampered trade. Pickets have stopped trucks collecting or delivering cargo, and containers have piled up, saturating quaysides.

The Japan Harbour Transportation Association, which represents waterfront employers, estimates that 2m tonnes of cargo has been delayed and says that increasing amounts of perishable goods are being ruined.

The association said most ships had been unloaded, and there had been some reloading of cargo stored within port compounds before the strike began, but unloading would cease if the strike was not settled at the weekend.

Refrigeration facilities at the ports have prevented some perishables from spoiling, but those facilities are already full. The Australian Meat and Livestock Corporation, which oversees beef and mutton exports comprising about 50 per cent of Japan's imports, said there had been a complete halt in deliveries to Japanese purchasers.

Brief strikes are not uncommon in Japan during the annual spring pay offensive, but the strike by 50,000 dockers is complicated by demands for significant changes in working conditions.

The dock unions want working hours cut from an average of 50 per week to around 35 per week by 1992, and have called for, among other things, an overhaul of company pension schemes.

Austria looks to stronger links with Comecon

VIENNESE banks have won a series of financing and joint venture contracts with Eastern bloc enterprises in recent weeks, suggesting that Austria's traditional trading position in the Soviet bloc will not be eroded by West Germany, writes **Judy Dempsey** in Vienna.

While West German companies, spurred on by the economic reforms in the Soviet Union, have chased after contracts and joint ventures, Viennese bankers and economists believe that Austria can maintain, if not increase its share of exports to the Comecon countries. These form 8.8 per cent of its total exports.

In the past week, for example, Creditanstalt-Bankverein and Girozentrale, the country's two largest banks, were involved in two big contracts.

Creditanstalt financed the Sch890m construction of a luxury hotel in the Soviet Republic of Georgia. Today, in Budapest, Girozentrale puts the final touches to a major contract involving Tungsram, the giant Hungarian state lighting company which has 6 per cent of the world market.

As part of their radical economic reform programme, the Hungarians are selling off industries to Western investors. Just under half of Tungsram has been placed with an international investor syndicate, led by Girozentrale, and it is expected that after three years, the shares will be listed on the Vienna and other European stock exchanges.

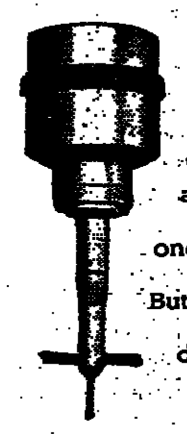
These two contracts, however, are just the tip of the iceberg in Austria's links with Eastern Europe. Professor Jan Stankovsky, head of the East European department at Vienna's Institute for Forecasting, says small Austrian companies continue to do much business with Hungary and the Soviet Union despite West Germany's push into Comecon.

He adds: "Austria still retains a very special position. We have years of experience in the region, plus very close contacts have evolved over the years. Even if West Germany pushes ahead, old contacts between Vienna and Eastern Europe will remain crucial."

Professor Stankovsky says it is not so much the reforms in Eastern Europe which are bringing increased trade with Austria and other countries. "Over the next few years, we expect to see the size and share of the trade cake in Eastern Europe increasing. This is largely due to the good business cycle in the West, the stability of oil prices, and a drive by several East European countries to export more and improve competitiveness."

It missed being a Mercedes-Benz by 1·0mm

If It Doesn't Measure Up It Goes No Further

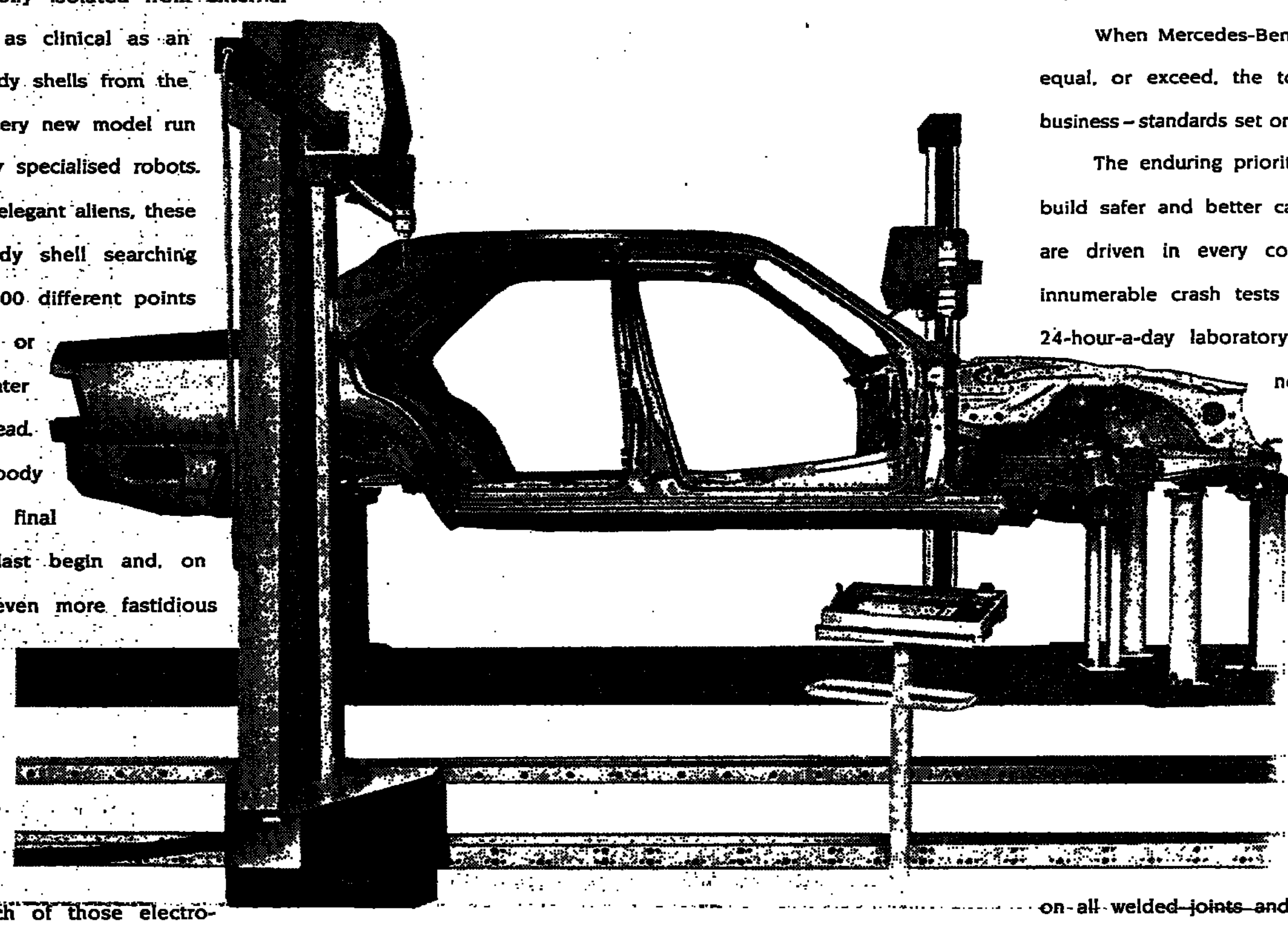

COMPUTERISED PINPOINT ACCURACY.

Most manufacturers can build cars that look well made, so it is hardly surprising the differences between a Mercedes-Benz and all the rest may amount to only one millimetre.

But minute differences on paper make enormous differences on the road.

And the reason Mercedes-Benz can search for, and find, this extra precision is simple enough: they use the most sophisticated measuring devices in the world.

In a room wholly isolated from external resonance, a room as clinical as an operating theatre, body shells from the production line of every new model run the gauntlet of highly specialised robots.



Like enormous, elegant aliens, these glide over each body shell searching every contour at 3,500 different points for any misalignment or imperfection no greater than the size of a pinhead.

Only faultless body shells signal that final production can at last begin and, on the assembly line, even more fastidious robots patiently wait. Filled with computer-controlled video cameras that search laser illuminated car bodies for the smallest imperfection, each of those electro-mechanical boffins complete in a week the work it would take two men a year to achieve.

And they cannot be deceived. If there is more than 1.0mm variation in a single measurement, the whole shell is rejected.

That is why everything on a Mercedes-Benz fits so precisely. Why panels and trim align exactly. Why doors close with that discreet, terminal 'thunk'. Why these cars are not prone to rattle.

Mercedes-Benz build quality is legendary, a claim that is not wanton exaggeration, but a fact that can be measured.


ROBOTS THAT CHECK THE WORK OF OTHER ROBOTS.

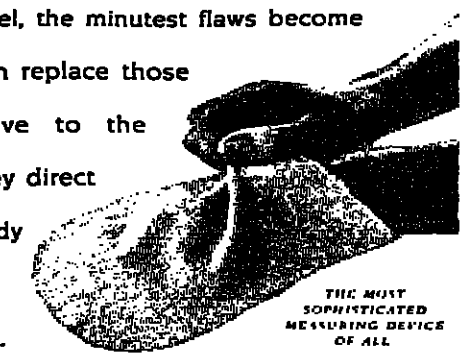
No Substitute For The Human Touch

Thousands of people at Mercedes-Benz concern themselves solely with 'quality assurance'. Unlike conventional quality control, this procedure is designed to prevent quality problems rather than rectify them. That's why many of the quality assurance team have to be qualified engineers.

Yet a degree in engineering is no more important than the educated touch of a quality inspector's hands on the pristine surface of a raw body shell.

The only piece of equipment each inspector uses is a brushed cotton mitten, worth only a few pence. If he is right-handed, the inspector will use a mitten on his left hand which is less hardened by everyday use and therefore more sensitive than the right.

When his experienced fingers are run over a weld joint or body panel, the minutest flaws become apparent. No robot can replace those practised fingers, alive to the smallest nuance, as they direct the hand-finishing of body shell surface. Or reject it as less than perfect.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UK NEWS

Lloyd's hotpot of US liabilities starts to simmer

Nick Bunker looks at the affair which threatens to plunge the market into a full-blown crisis

FOR MORE than two years, the Outhwaite affair has been surfacing repeatedly over lunch tables in the rumour-driven Lloyd's of London insurance community. However, events in the next few months might, just might, turn it into a full-blown crisis centering on the crucial issue of how Lloyd's copes with its notorious liabilities for asbestos and toxic waste-related claims from the US.

The chances of that happening came closer this Wednesday with the second instalment of a report on the affair by Freshfields, the law firm. Commissioned by a committee of 102 Lloyd's underwriting agency companies chaired by Mr John Heynes, it looks at the question of how 1,600 members ("Names") on Lloyd's marine syndicate 317/661, found themselves facing gross liabilities of at least £263m between now and the year 2006.

By themselves, the second Freshfields report's conclusions are merely findings of fact. What they are setting in train this week, however, are two new legal inquiries by the Heynes committee, and by the Outhwaite Names 1982 Committee. The 1982 Committee represents 400 of the 1,600 afflicted Names and has been seeking to persuade the ruling Council of Lloyd's to step in and clear up the mess.

If these inquiries conclude that the 1,600 have a case for denying their liability for the £263m, pressure could mount dramatically on the Lloyd's authorities to put together a market-wide lifeboat operation to meet the losses. This is a suggestion likely to encounter strong resistance from the market's ruling Council, which has steadfastly avoided intervening on the grounds that this is purely a matter between members of the market.

Stage one of the Outhwaite affair was in December 1980, when syndicate 317/661's underwriter, Mr Richard Outhwaite, began selling so-called "run-off" reinsurance policies to other Lloyd's syndicates and insurance companies.

Issued between then and the autumn of 1982 for what at the time seemed huge premiums, 31 of the run-off policies meant that syndicate 317 would take over heavy exposures to old US liability insurance policies from as far back as the 1940s.

As a result, the syndicate found itself carrying a vastly disproportionate share of the market's burden of claims from US companies arising from asbestos-related lung disorders, asbestos contamination in buildings, and compulsory clean-ups of old hazardous waste sites.

But this week's Freshfields report focused on stage two of

Richard Outhwaite: documentation was never completed

the affair: the events when the R.H.M. Outhwaite Underwriting Agency was trying to close the syndicate accounts for 1982 at a time when the run-offs were starting to produce huge claim build-ups.

In an annual report dated April 30 1985, the agency said it was closing the syndicate accounts and declaring a £2m profit for 1982, subject to a heavy qualification from Ernst & Whinney, its auditors, about the possible results of the run-offs.

Then, in July 1985, the agency wrote to syndicate members saying: "Subsequent discussions have now led us to believe (the decision to close the 1982 year) to have been a mistaken view and we have therefore decided to leave the year open."

The legality of reopening the year is now to be examined in a fresh inquiry by Oswald Hickson Collier, the law firm, on behalf of the Heynes committee.

If it was not legal, then the 1982 Names can argue that the year was closed, terminating their liability for further losses. In theory, that would mean passing responsibility for the £263m to unsuspecting people who joined the syndicate in later years. That could deepen the legal morass, with the risk of bogging the Lloyd's community down in embarrassing litigation for years.

What is clear is that cases of reopening Lloyd's syndicate's accounts are rare. The Outhwaite 1982 Names Committee believes there have been only two: the Roylance scandal, which involved the collapse of a Lloyd's syndicate in the 1950s, and a second case in the early 1970s, when the R.W. Sturge underwriting agency reopened an accounting year for syndicate 210.

There is a further complicating factor. The vital Outhwaite accounting decisions were taken when rules for preparing Lloyd's syndicate accounts were undergoing an upheaval which may have added to the confusion.

Mr Ian Hay Davison, the chief executive of Lloyd's, had pushed through radical reforms following the Lloyd's scandals of the early 1980s. But his chief instrument was the October 1984 Syndicate Accounting By-law, which for the first time required auditors to say whether or not syndicate annual reports gave a true and fair view of their position; and in May 1985, the by-law was not fully in force.

As a result, "true and fair" certification from an auditor was expected, but not mandatory. Unsurprisingly, the Freshfields report shows that there was "some debate between Outhwaite and Ernst & Whinney about the form and content of the audit certificate," Mr Heynes says.

A third complicating factor is that Mr Outhwaite never completed the official documentation to effect payment of the reinsurance-to-close premium. This premium represents a sum transferred to future members of the syndicate as a reserve against old liabilities. But in the Outhwaite case, no reinsurance-to-close memorandum was signed, according to Freshfields.

For now, the Outhwaite 1982 Names Committee is reluctant to take the hawkish line of threatening litigation to avoid liability for the £263m. Chaired by Mr Peter Nutting, a 53-year-old businessman, its 500 members include successful solicitors, accountants, and a barrister.

The committee is confining itself to getting counsel to look at the Freshfields findings and say whether the reopening of the 1982 was legally valid. What is clear, however, is the mounting frustration among Outhwaite 1982 Names at what they call inertia among the authorities at Lloyd's.

"The solution is for the Council to get off their backsides and do something," says one leading member of the 1982 Committee.

Law Lords ruling closes insider dealing loophole

By Raymond Hughes, Law Courts Correspondent

THE GOVERNMENT'S attempts to curb insider dealing have been given a boost by five Law Lords.

They have ruled that people who deal in shares on the basis of what they know to be unpublished, price-sensitive information are guilty of insider dealing, no matter how the information came into their possession.

"The mischief consists of dealing in securities while in possession of the confidential information," said Lord Lowry yesterday.

The decision finally sealed an apparent loophole in the law that had put at risk other prosecutions and investigations by the Department of Trade and Industry, which is spearheading the drive against insider dealing.

At the moment the DTI has 45 cases on its books: six before the courts, 17 being investigated, in 14 of which inspectors have been appointed, and 22 more under consideration either before or after inspections.

What was at issue was the meaning to be given to the word "obtained" in the 1985 Company Securities (Insider Dealing) Act.

Section 1(3) of the Act makes it an offence for someone to deal in shares on the basis of unpublished price-sensitive information "which he knowingly obtained (directly or indirectly) from another individual."

At Southwark Crown Court in London last April Judge Gerald Butler directed a jury to acquit Mr Brian Fisher, a barrister and businessman charged with insider dealing.

The judge decided that Mr Fisher had not "obtained" information on which he was alleged to have dealt in shares but been given it "without any opportunity for him to prevent that information being passed on." To obtain, the judge said, after consulting the Shorter Oxford Dictionary, meant "to procure or gain, as the result of purpose or effort."

Sir Patrick Mayhew, QC, the Attorney General, referred the case to the Court of Appeal and in October three appeal judges, headed by Lord Lane, the Lord Chief Justice, held that parliament had intended to penalise the recipient of inside information who dealt in securities, whether he procured the information "by purpose and effort" or came by it "without any positive action on his part".

The case then went to the House of Lords for a definitive ruling by the Law Lords.

Mr Fisher's acquittal was unaffected by the rulings by the appeal judges or the law lords, which were sought simply to give guidance on the law to courts handling future cases.

Lord Templeman said yesterday that the object of the 1985 Act had been to prevent insider dealing.

"Parliament cannot have intended that a man who asks for information which he then misuses should be convicted of an offence while a man who, without asking, learns the same information which he also misuses should be acquitted."

Lord Lowry said the offence could be committed by a primary insider – someone connected with the company the shares of which were the subject of the dealing – or a secondary insider who had knowingly obtained information from a primary insider.

Whether the secondary insider solicited the information or merely received it did not increase or diminish the undesirability of his making use of it.

If a primary insider was forbidden to use the information, "one may properly ask why a secondary insider should be prohibited only from using part of the information which may come into his hands, namely, that which he has procured by his own efforts: the procurement is not the guilty act," Lord Lowry said.

Economy braced for a hangover

By Ralph Atkins, Economics Staff

AS last year's exuberant economic growth begins to fade, fears of a painful hangover are mounting.

Strong economic growth in 1988 is showing signs of easing but figures published yesterday suggest there has been no break in the upward trend in earnings. The result is that labour costs for each unit of output are increasing. And that almost certainly means higher retail prices to come.

Figures released later today are likely to show Britain's annual inflation rate rising to about 8 per cent. With recent mortgage rate rises fully reflected in the retail price index, that may be near a peak.

But the fear of City of London economists and others is that continuing wage pressure will mean any fall is modest. At the extreme, some are predicting "stagflation" with inflation remaining at rates of 5 per cent or more into the 1990s while growth is sluggish.

The pick up in earnings can be traced back to the beginning of last year. Between January 1983 and October 1987, the Department of Employment's measure of underlying earnings growth had been broadly stable – never rising by more than 8 per cent or less than 7½ per cent a year.

That stable growth accelerated, however, to reach 9¼ per cent last summer – the highest since June 1982. It subsided slightly towards the end of the year, partly due to technical factors, but yesterday's figures showed a return to 9¼ per cent in February.

Higher pay settlements have driven earnings upwards. Because agreements are usually based on past, rather than expected future performance, agreements have almost certainly reflect delayed effects of buoyant economic growth and company profitability since the mid-1980s.

That momentum is likely to continue: Profits of non-North Sea oil companies increased by a fifth last year. The fear is that earnings will replace excess demand as the main upward pressure on prices. Last week Mr Robin Leigh-Pemberton, Governor of the Bank of England, cited mounting wage pressures as the economy's most serious problem.

Cost pressures could also have been exacerbated by steep falls in unemployment. The Government boasts that since the peak in July 1986, the number out of work has fallen by 1.215m while the workforce in employment has risen to record levels.

The unwelcome side-effect, however, has been rising skill shortages with employers bidding up wages to recruit or retain staff. Mr Paul Davies, economist at UBS Phillips & Drew, said recent growth had exceeded productive potential. The UK had outstripped the skills available in the labour market.

This may seem perverse when there are still almost 2m out of work – and at least two people out of work for every vacancy. A possible explanation is that the mismatch of skills between the unemployed and vacancies has worsened with Government and private sector training schemes failing to bridge the gap.

By definition, if employment is rising and output growth slowing, productivity will also decelerate. The first signs of this are apparent in yesterday's figures.

Output per head in the whole economy in the last three months of 1988 was just 0.5 per cent higher than a year earlier – a marked deceleration from previous quarter's figures even if interruptions to North Sea oil production are excluded.

If earnings are also rising, wages and salaries per unit of output will increase. In the last quarter of 1988, unit wage costs were 8.4 per cent higher than a year earlier – the fastest growth rate since the second quarter of 1981.

Figures due for release on Monday will show growth in productivity and unit wage costs in manufacturing during February. Signs of an improved performance appear unlikely.

At least publicly, the Treasury is not unduly concerned about such wage cost pressures. Its line is that the expected reduction in demand in the economy will feed through into the labour market but that this will take time.

Rising unit wage costs and falling productivity, the Treasury says, are the result of inevitable time lags in a slow-reacting labour market. However, it stopped short yesterday of forecasting that the trends will eventually be reversed.

Some tentative support for the Government is shown in yesterday's figures. The March fall in unemployment was below the average for the past six months and could be pointing to a slower underlying rate of decline. Vacancies were also falling, suggesting demand for labour was abating.

A problem with this line of argument is that the delay between a slowdown in demand and a reaction by the labour market could be inordinate. It may prove difficult to persuade financial markets – and more importantly, pay negotiators – of the efficiency of the labour market and to instil confidence that wage pressures will eventually fall.

UK NEWS

Offer of concessions likely in legal reform proposals

By Philip Stephens and Raymond Hughes

THE GOVERNMENT has agreed to a limited extension of the consultation period for its planned overhaul of the legal profession amid signs that it is ready to offer significant concessions to defuse opposition to the plans.

The extension was agreed by the Cabinet yesterday as senior judges bowed to pressure from MPs and called off a meeting next Monday at which they were to have discussed the plans put forward by Lord Mackay, the Lord Chancellor.

Mrs Margaret Thatcher, the Prime Minister, was said to determined that the core of the proposed changes – strengthening competition by giving solicitors as well as barristers rights of advocacy in the higher courts – must remain in place.

Ministers, however, said that there were possibilities for concessions in a number of areas. After last week's attack on the plans in the House of Lords, Lord Mackay had acknowledged that they would be difficult to get them through in their present form during the next session of parliament.

Among the likely concessions would be agreement to drop the proposal to introduce provision for lawyers to act on a contingency, or no-win no-fee, basis.

The Lord Chancellor was also said to be looking at ways to meet the concerns of the profession that the proposed new committee to oversee the licencing of advocates would unduly strengthen the powers of the Government over the judiciary.

Such a change would be designed to defuse the charge that the reforms threatened to subvert the constitution and to cast opponents of the plans in the role of simply defending their own self-interest.

The Law Society is suggesting as an alternative to the committee a Legal Affairs Commission, wholly independent of Government. It would inform Government and the professional bodies of gaps in the provision of legal services and advise on training and standards. Ministers said that Lord Mackay had also acknowledged political concern that his suggestion that solicitors and barristers could create multi-disciplinary practices might threaten the services available to smaller solicitor's practices outside large cities.

The proposal that the 27 judges from the Court of Appeal and 100 from the High Court should take several hours off work during court hours next Monday had attracted widespread adverse comment in parliament and the press, where it was stigmatised as "a strike" or "unlawful industrial action."

Yesterday the Judges' Council announced that the meeting had been postponed until Saturday, May 20, when Lord Mackay will be available to address them.

In a statement issued through the Lord Chancellor's Department, the Council said that at its request Lord Mackay had extended the deadline for the judges' response to the Green Paper (discussion document) until May 30. It added that judges' meetings were held during court hours only when it was impractical to do otherwise. The council insisted that the meeting was not a protest against Lord Mackay's proposals, which did not affect judges personally.

Lord Mackay's department said that the extension of time applied only to the judges. All others wishing to respond to the Green Papers would have to stick to the original consultation deadline of May 2.

Mr Desmond Fennell, the chairman of the Bar, said last night that he hoped Lord Mackay would extend the deadline for all those who wished to make representations.

ODC seeks partner for St Paul's precinct

By Paul Cheeseright

ORGANIZACION Diego Cisneros, the Venezuelan owner of Paternoster Square, the complex of offices beside St Paul's Cathedral in the City of London, is planning to sell a portion of its ownership to a property development company.

ODC's decision to seek a partner throws existing controversial plans for the redevelopment back into the melting pot.

Salomon Brothers, the US-owned investment bank, will next week send out details of Paternoster Square to property companies in the UK and abroad, inviting them to make financial and design proposals for its redevelopment. It is unlikely that any development consortium or joint venture would be set up without a British member.

Paternoster Square is one of the most sensitive sites in London because of its proximity to St Paul's. Prince Charles is anxious to see the existing square office blocks and draughty shopping precinct – which he called an eyesore – replaced by buildings sympathetic to St Paul's.

The developer chosen will be responsible for producing and carrying out a redevelopment design. ODC would pass an equity share in Paternoster Square to the developer, but would remain a passive investor.

ODC has not settled on the *precise percentage of equity it* would wish to retain. In the event of a very large offer from a developer, it might be prepared to sell Paternoster Square outright. The property is worth in the region of £300m.

Esso plans to invest £3bn in North Sea

By Maurice Samuelson

ESSO UK plans to spend more than £3bn in North Sea development in the next five years, on top of the £5bn invested since 1980.

Last year's capital and exploration expenditure reached £489m and it has put in one of its largest-ever applications for new acreage in the 11th round of offshore licences to be awarded by the Department of Energy. In 1989, for the first time in several years, Esso discovered more oil than it produced.

Sir Archibald Forster, chairman and chief executive, yesterday cited these facts as proof of the company's "confidence in the long-term viability of the UK oil and gas industry."

He was announcing Esso's results for 1988, which were highlighted by a £225m fall in pre-tax earnings to £302m, due largely to a 24 per cent drop in average crude prices from 1987.

Inflation pressures heat up with rise in earnings growth

By Ralph Atkins, Economics Staff

SIGNS of growing inflationary pressures in the UK economy came in official figures yesterday showing a marked acceleration in labour costs.

The strength of earnings and rapid growth in wages and salaries per unit of output overshadowed another fall in unemployment in March. The official seasonally-adjusted total dropped 30,600 to 1.92m – the lowest level for more than eight years.

The Department of Employment said average earnings were rising at an underlying rate of 9¼ per cent a year in February – the same as in August and September last year but otherwise the highest since June 1982. In January, earnings were rising at a rate of 9 per cent.

Wages and salaries per unit of output were increasing at an annual rate of 8.4 per cent in the last three months of 1988. Even after allowing for the interruption of North Sea oil production, that was the fastest growth rate since 1981.

The combined figures highlight cost pressures which have followed exceptionally strong output growth last year. Figures released today are widely expected to show Britain's inflation rate at about 8 per cent.

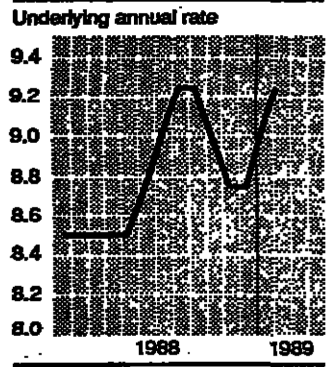
However, the Confederation of British Industry (CBI) yesterday said its pay databank showed manufacturing productivity was rising faster than pay settlements in the first three months of 1989. Mr John Banham, CBI director general, said this would help keep unit labour costs under control.

Financial markets yesterday reacted calmly with some analysts saying domestic cost pressures are likely to ease as the labour market reacts to the slowdown in domestic demand.

The FT-SE 100 share index fell 4.3 points to close at 2,028.7 while long-date Government stocks fell about a third of a point.

Average earnings

Underlying annual rate



The department's figures show unit wage costs in the whole economy have been accelerating since the beginning of 1987. At the same time, productivity has slowed, with latest figures showing output per head just 0.5 per cent higher in the last three months of 1988 than in the corresponding period a year before.

Mr Michael Meacher, Labour's employment spokesman, said: "Britain is falling into the grip of a price-wage spiral. Wages are rising as a direct response to Government-imposed rises in mortgage rates and general inflation."

Figures for the manufacturing industry, published last month, showed the pick-up in unit wage costs continued into January 1989. Results for February will be published on Monday.

The unemployment figures could be pointing to a moderation in the rate of decline. The latest fall, the 32nd consecutive monthly drop, was below the average of the past six months.

Mild winter weather, however, has almost certainly exaggerated recent falls. Government statisticians believe the underlying rate of fall remains about 40,000 a month.

Regional boards scrapped in restructuring at TSB

By David Barchard

TSB GROUP, the fifth largest banking group in the UK, yesterday announced sweeping changes in the structure of its boards.

The size of the group board will fall from 31 to 17, while TSB's eight regional boards in England and Wales are to be scrapped.

Sir Nicholas Goodison, TSB's chairman since the beginning of the year, said that the changes had been made to streamline the operations of the group and shed unwieldy organisational features inherited from the days when TSB was a federation of local savings banks, before its stock-market flotation in 1986.

Immediately below TSB's group board, there will now be three boards for the newly integrated operational divisions.

These will concentrate TSB's activities into banking, insurance and investment, and other commercial interests.

The streamlining, which is expected to save TSB around £750,000 a year, appears to have met with no resistance. Sir Nicholas said yesterday that he had been "most encouraged" by the enthusiasm within the group for further progress.

The separate status of TSB in Scotland, Northern Ireland, and the Channel Islands has not been affected by the changes.

UK NEWS - THE FINANCE BILL

HEALTH

Cheap cover for the retired

TAX RELIEF on elderly people's private health insurance contributions – one of the most widely criticised aspects of the Government's health care reforms – will be introduced in April 1990. It will be available to people aged 60 and over who subscribe to private health insurance, and to others who buy it on their behalf.

At present, only about 5 per cent of Britain's 12m people aged 60 and over are covered by medical insurance – about half the proportion of insured people in the population as a whole. Many of those who are insured under employers' schemes withdraw when they retire and have to pay their own contributions. The Government hopes tax relief will encourage more people to continue cover on retirement.

Insurance companies are preparing for increased interest in health insurance for the over-60s in the run-up to next April. This is particularly likely in the case of the provision allowing children to buy insurance on behalf of their elderly parents and offset it against their own tax.

Basic rate relief will be available to non-taxpayers and taxpayers alike and will be deducted at source like mortgage relief under the Miras system. Higher rates of relief, where they apply, will be given by adjustment of individual PAYE codes.

The Government says that increased take-up of insurance among the elderly will relieve pressure on the National Health Service. Critics disagree. They say health care demands increase dramatically with age and that health insurers will offer only very cautious and partial cover to older clients.

Tax relief will, they contend, constitute an inefficient subsidy to the private sector while the NHS continues to meet the high costs of treating the chronic and disabling conditions which become more prevalent in old age. Official calculations are that the scheme will cost the Exchequer £40m in 1990-91, although this will rise in later years if more elderly people are encouraged to take out medical insurance.

The Government has decided that insurance contracts which provide daily cash benefits if potential private patients are treated in NHS hospitals will not attract tax relief. Such arrangements, says the Government, do not meet the objective of relieving pressure on the NHS. But contracts which include small cash sums for incidental out-of-pocket expenses, such as newspapers and flowers while in hospital, will qualify.

Ministers have also decided that pre-funded contracts – taken out by working-age people but not giving cover until after the age of 60 – will not qualify for relief. Joint husband and wife contracts will receive relief even if only one partner is aged over 60.

To qualify under the new arrangements, insurance contracts will have to be for annual or shorter periods. Regulations setting out the precise range of treatments allowed will be published later this year, but the Inland Revenue said yesterday that "the general approach will be to allow tax-relieved contracts to cover the full range of hospital treatments available under the NHS, as well as operations and treatments by general practitioners."

Alan Pike

LIFE ASSURANCE

Shareholders' profits clause may dampen Budget euphoria

ONLY A few weeks ago, in the immediate aftermath of the Budget, the UK's life insurers were basking in self-congratulation after escaping what could have been a drastic revision of their tax regime.

The Finance Bill contains few obvious surprises, apart from one provision which could dampen some of the euphoria by unexpectedly expanding the Revenue's definition of shareholders' profits from life assurance.

The provision in question comes in Schedule 8, amending part of the 1988 Taxes Act dealing with insurance companies, and clause 78, which deals with the way life companies calculate their profits for tax purposes. On one reading, their effect is to limit the extent to which life assurance companies can allow untaxed shareholders' profits to accumulate in their life funds in excess of what is needed to fund future bonus payments to policyholders.

According to Mr Chris Winslett, life assurance tax specialist with Deloitte, Haskins and Sells, this may have a large impact on some unit-linked life assurance companies.

In their annual reports, shareholder-owned life insurers show a revenue account, which gives income (made up of premiums, investment income, realised capital gains) and outgoings (benefits to policyholders, brokers' commissions, taxation, and after-tax profits handed to shareholders). The last element – shareholders' profit – usually appears on the report's next page, in a separate shareholders' profit and loss account.

However, there may be some elements of shareholders' profits which are left in the revenue account and fail to be "appropriated" (the technical life assurance term) into the profit and loss account. What clause 78 appears to do is to give the Revenue more stringent criteria for determining how much of the unappropriated profits can be brought into the tax charge.

Clause 78 (b) uses the life assurance company's annual returns to the Department of Trade and Industry as the basis for calculating taxable profits. These returns contain the life company's valuations of its assets and liabilities.

According to clause 78 (b), the returns may show an unappropriated profit which can be left out of the tax charge. But, the clause appears to say, in future the unappropriated profit can be left out of the taxable profits *only* if the unappropriated amount appears to be necessary as a reserve held in the life fund to satisfy policyholders' reasonable expectations of future profits.

Apart from this provision, the bill aims to put into effect the Revenue's main Budget proposals, which consisted of some piecemeal reforms to iron out obvious anomalies in the tax treatment of life companies. These were, first, to "ring-fence" life companies' life assurance funds from their pensions funds, to prevent them from shuffling management expenses between them as a way of minimising tax bills. Second, the bill would implement the Revenue's proposal to make life companies write off their marketing costs over seven years, rather than immediately.

Nick Bunker

A longer Bill means higher bills

Richard Waters reports on tax advisers' concern about growing legal complexity

This year's Finance Bill is the longest and most detailed ever produced, in spite of following one of the least startling Budgets of recent years. Experts say that this will result in higher costs for tax payers: their advisers' bills will rise as the new legislation is digested and applied.

"It's good news for us," said Mr Roger White, partner in charge of tax at accountants Peat Marwick McLintock, which has the country's largest tax advisory business with more than 750 tax experts.

None the less the tax profession is generally perturbed about the sharp increase in the complexity of the tax system in a year which has seen few fundamental changes in the law. Anything which is bad for their clients is ultimately bad for them too.

The Bill runs to 180 clauses – 30 more than last year's mould-breaking effort, and 50 more than the reforming 1984 Finance Act.

However, one large section of the bill, running to nearly 30 clauses, enacts proposals made several years ago by the Keith Committee to update the powers of the tax authorities. These clauses affect the management of the tax system, rather than the system itself.

Mr Adam Broke, head of tax at Arthur Young and vice chairman of the Institute of Taxation, said: "It would be justifiable if they were dealing with some of the endless points people have put forward over the years, or were dealing with major changes, but they're not . . . I find it infinitely depressing."

Nigel Lawson, the Chancellor of the Exchequer, has said in the past that one of the principles behind the tax reforming measures of recent years has been to simplify the tax system. This was meant to be achieved through lower tax rates and the removal of tax shelters.

However, new tax shelters have been set up to replace old ones, while fresh anti-avoidance rules have far outweighed the removal of defunct ones.

The Business Expansion Scheme, introduced six years ago, provides an indication of the progress of tax law in recent years.

Originally intended to encourage investment in unquoted shares, the scheme had to be tightened repeatedly to prevent a series of abuses before it was extended last year to cover private rented accommodation – only to lead to the creation of "close" companies through which BES investors could enhance the tax incentives in a way never foreseen by the government.

"It started out as a way of helping small companies, and now what have we got? – numerous close companies owning rented accommodation," grumbled one tax professional.

The only significant simplification of tax law achieved this year has been the removal of the apportionment rules for close companies. These prevented companies with five or fewer controlling directors building up profits to avoid paying them out and attracting top-rate income tax – a technique made redundant by last year's reduction in the top rate to 40 per cent.

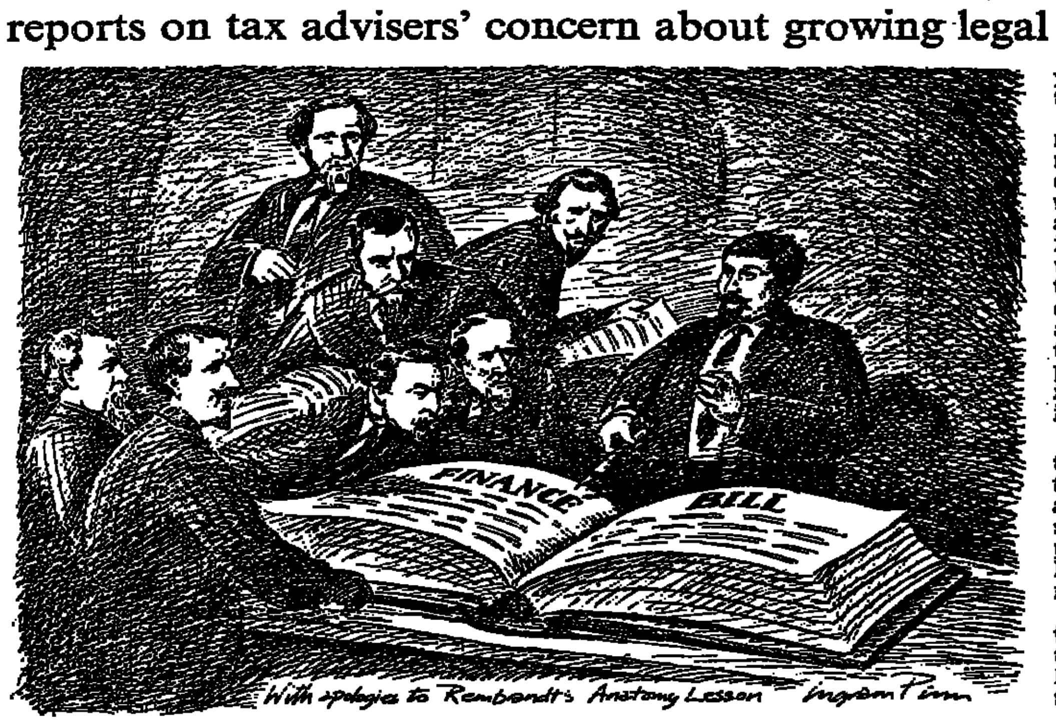
However, in place of these rules are new anti-avoidance rules for small investment companies which themselves run to seven clauses, as well as a range of other measures intended to prevent companies using the tax system to reduce their tax bills. One particularly complex piece of anti-avoidance legislation, concerning the sale of subsidiaries by a parent, has not even been included in the Bill because it is still being drafted.

Tax experts generally deny that they are responsible for the complexity, although they accept that increasingly sophisticated tax planning has prompted the legislators to keep pace by introducing ever more complex rules.

Commenting on the moves to prevent tax avoidance on the disposal of subsidiaries, Mr Broke said: "You could lay these things at our door."

However, the sentiments of Mr Broke and his counterparts at other firms were summed up by Mr John Andrews of Coopers & Lybrand, who said: "You can go through this bill clause by clause and the accountancy profession hardly accounts for any of it."

The Treasury said yesterday that the extra complexity in this year's Bill was because the areas of tax being dealt with "are intrinsically very complex." Nor is next year's bill unlikely to be simpler: "We are moving into areas which are even more complex," the Treasury warned.



With apologies to Rembrandt's Anatomy Lesson Ingram Pinn

PENSIONS

Proposed limit on earnings is clarified

THE BILL contains no surprises regarding changes to occupational pension schemes, but it clarifies two important features of the proposed £60,000 limit on earnings for pension purposes.

First, it confirms that this limit will be revalued each year in line with price increases, despite comments from the pensions industry that revaluation should be in line with earnings growth.

Second, and of greater impact, is confirmation that the limit will apply immediately to contributions paid into a company scheme, including Additional Voluntary Contribution schemes.

The £60,000 limit in calculating benefits only applies to new schemes from March 15, 1989 and to new employees joining existing schemes from June 1, 1989.

Employees not caught by these restrictions can have pension and cash sum benefits based on their full pensionable earnings, but their contributions into the scheme, as from this year, will be limited to this £60,000 ceiling. The shortfall will therefore have to be made up by the employer.

Higher-paid employees endeavouring to make up a shortfall through Additional Voluntary Contributions, either in-house or by a "free standing" arrangement, will therefore find their maximum permissible payments subject to this limit.

The changes will result in two different benefit systems for company pension schemes – the existing system where there is no earnings limit on benefits, but with restrictions on early retirement benefits, or the new system with the ability to pay full pensions from age 50 with a minimum of 20 years service, but with the £60,000 earnings limit.

The Bill does not clarify the rights of employees in existing schemes to opt for the new system or the old one, except for existing employees who joined the scheme on or after March 17, 1987 when the existing £150,000 cash benefit limit was imposed.

These employees will have the automatic right to decide whether to switch, but for employees who were members of their company scheme before the above date, the switch option will have to be contained in the rules. The Revenue will still be in a position to approve rule changes.

The Bill also proposes to stop any transfers into new personal pension arrangements to take advantage of the removal of the £150,000 limit on cash payments.

Eric Short

DIRECTORS' PAY

Rearrangements that lead to a windfall

DIRECTORS who rearranged their affairs between the Budget and the end of the tax year on April 5, in anticipation of a possible loophole arising from the Budget, will share in an £80m tax windfall this year.

The loophole was available to directors who were paid on the "accounts basis", which involves paying tax on remuneration shown in their company accounts during a particular tax year.

For instance, if a company's year ended on December 31 1988 and its directors were taxed on this basis, they would pay tax on the pay shown in the accounts for the tax year ending on April 5 1989. Earnings between January 1 and April 5 would then be taxed in the next tax year.

Under the new system, directors and employees will be taxed when they receive their pay, creating a "black hole" for directors on the accounts basis. In the example above, pay received after December 31 and before April 5 would not be taxed at all.

In anticipation of this loophole, some tax advisers were recommending their clients to bring forward as much of their pay as possible before April 5. However, most had expected the Revenue to take action to block this form of avoidance.

The Revenue said yesterday that it had no plans to tax income falling in the tax-free period. "Provisions bringing such income into charge could . . . lead to an excessive tax charge over the life of the employment, since when the accounts basis starts, some income is usually assessed more than once."

The Bill contains a number of other provisions, however, to prevent directors taking part of their income out of tax.

It was announced on Budget day that the transition to the new tax basis would cost the Revenue £80m in 1989/90, and £60m in 1990/91.

Richard Waters

EMPLOYEE SHARE OWNERSHIP

Trusts ushered in with a few surprises

EIGHT clauses and an extensive schedule herald the introduction of Employee Share Ownership Trusts. The main features were outlined on Budget day but the bill sets out the detailed rules which include a number of surprises.

The first and least significant is the name of the Chancellor's new creation. In his Budget speech, Mr Lawson referred to Employee Share Ownership Plans (ESOPs). He has now had second thoughts about "Plan" and has switched to "Trust." So we will presumably have to talk about "ESOTs."

The ESOT will be a trust set up by a company for the purpose of buying shares in that company and distributing them to its employees. Payments made by the company to the ESOT will be tax deductible provided the ESOT is a qualifying trust and uses the money for qualifying purposes.

By contrast to the other types of tax-privileged share scheme, it will not be necessary to obtain Inland Revenue confirmation that an ESOT meets the qualifying conditions. It seems that the Revenue will not be prepared to operate an informal clearance procedure. So there will be a heavy onus on professional advisers to ensure that there is nothing in the Trust Deed which could scupper the company's tax relief claim.

The qualifying conditions cover three main areas – trustees, beneficiaries, and the shares which the ESOP can buy.

In defining the class of beneficiaries, the bill follows the strict egalitarian line foreshadowed in the Budget. Part-timers and those who have not completed a qualifying period of up to five years' service can be excluded (and those who have worked for less than a year must be excluded). But the ESOT must provide for all other directors and employees to be offered shares. The amount offered can be a percentage of salary or linked to length of service – but apart from these factors all employees must be treated equally.

Precisely the same criteria apply to participation in the existing Revenue-approved profit-sharing schemes and savings-related share option schemes. Indeed, since direct share transfers by ESOTs will be liable to income tax, an ESOT will only be tax-effective for the employee beneficiaries if it channels its distributions via one or other of these schemes. Transfers to any other type of trust – including an approved executive share scheme – will disqualify the trust and lose the company its relief.

If the beneficiary guidelines are largely as anticipated, the rules for the selection of trustees are something of a bolt from the blue. Most surprising of all is the requirement that a majority of the trustees must be employees – excluding directors – who have been "selected by a majority of the employees . . . or by persons elected to represent those employees." There is no guidance on the method of selection or as to whether employee trustees can be "de-selected" if they lose the confidence of their selectors – which would certainly break new ground in terms of English trust law.

Compared with this potentially radical extension of industrial democracy the other appointment provisions are relatively prosaic. There must be at least three trustees resident in the UK, one of whom must be a trust corporation, a solicitor or a member of another professional body approved by the Revenue. (They will apparently be prepared to approve accountants – it is not clear why solicitors have been singled out for specific mention.)

Worker control of the ESOT needs to be put into perspective. The ESOT will only be able to buy shares to the extent that it is financially assisted by the company and the bill closely regulates the trustees' functions. So the areas of trustee discretion are likely to be relatively few. However, it is easy to imagine circumstances in which the voting power of an ESOT could be crucial, for example in a contested takeover.

Shares to be acquired by an ESOT must satisfy a number of conditions. They must not be shares in a subsidiary company – there is no let-out for subsidiaries of quoted companies as is the case under the approved share scheme legislation. Nor can an ESOT purchase restricted shares unless the restrictions are imposed by the articles of association. Finally, the Revenue will want to be satisfied that the Trustees have not paid over the odds for any shares they purchase.

Even after these myriad conditions have been fulfilled, tax relief will not be given unless the following time limits are met:

- The ESOT must spend any money received from the company within nine months after the end of the financial period in which it is paid.
- Shares acquired by the ESOT must be passed on to the employees within seven years of acquisition.
- The company must claim its relief within two years of the financial period for which the deduction is to be made.

David Cohen

The author is a partner in the London law firm of Paisner & Co.

CLOSE COMPANIES

Builders and developers breathe a sigh of relief

HOUSE builders, property developers and management buy-out teams are among the main beneficiaries of the close company provisions contained in the Bill and in amendments which are proposed when it goes to committee stage.

The abolition of the close company apportionment rules aims to end taxation of undistributed earnings of trading companies – while retaining it for investment companies – and to remove a lot of red tape. Several hundred thousand companies are defined as close – controlled by five people or fewer – of which only five per cent are involved in investment activity.

One clause excludes as an investment activity dealings in land connected with works which substantially increase the value of the land. House builders and property developers had been worried after the Budget that their land dealing activities would be classified as investments and subject to tax.

Buy-out transactions should be made simpler by a proposed amendment to the Bill which allows companies with only one subsidiary trading company to be considered as a member of a trading group.

Plans to amend the Bill to exclude companies in liquidation from the investment company net and to give companies 12 months rather than six to decide on dividend distribution policies are seen as minor but helpful improvements. The 12 month period is still less than the 18 months available under the previous rules.

Some accountants remain dissatisfied, arguing that legislation is too complicated. Previous close company legislation was not a problem for most trading companies and the need to propose amendments suggests it is already too complex, they point out.

Charles Batchelor

CAPITAL GAINS TAX AND INHERITANCE TAX

An end to posthumous tax planning

A RECENT report* by the Institute for Fiscal Studies concluded that the taxation of gifts and death is something of an irrational mess. The Finance Bill contains two particular measures affecting that mess, both of which will necessitate a review of existing tax planning arrangements.

Since 1971 capital gains tax (CGT) has not been charged on death. Assets are inherited at their market value on death. Nobody would suggest that tax should be forgiven on income accrued before death, so why should tax on accrued capital gains?

Superficially an answer is that, on death, inheritance tax (IHT) is payable and, since 1988, the single 40 per cent rate of IHT has been the same as the top rate of CGT. That answer does not, however, bear closer examination.

First, CGT and IHT are taxing different things: CGT taxes that part of the return on investment represented by the increase in its value; IHT taxes transfers of wealth from one person to another. Second, IHT is essentially a voluntary tax which hits those unfortunate enough to die unexpectedly and those who do not trouble to plan for their death.

The CGT exemption on death is unaffected by the Bill. The IHT nil rate band is increased from £110,000 to £118,000. The major restriction to tax planning on death, however, relates to deeds of variation. Such deeds have allowed the beneficiaries of an estate to rearrange its disposition in a tax efficient manner within two years of death. Their advantage lay in the ability to plan against a known set of family and tax circumstances. In particular, a deed could be used to ensure that assets passed to the younger generations of a family where it was apparent that the older generation had no need of further resources.

For deaths that occur after the Finance Bill receives the Royal Assent (which will be around the end of July), the use of such deeds will be severely curtailed. Post-death variations will only be permitted in three cases: first, where there is a disclaimer of benefits under a will or on an intestacy; second, pursuant to a Court Order making adequate provision for the deceased's dependants; and, finally, where the variation is to make such provision as could be ordered by the Court. There are likely to be few occasions when a disclaimer will have a tax planning use.

An alternative to a deed of variation was a discretionary will. Under such a will, the executors had a discretion as to the distribution of the estate within two years of death. Such wills were left unaffected by the Budget, but the Finance Bill ensures that they will no longer be effective for tax purposes and may be positively disadvantageous. Similarly, gifts to individuals to distribute according to a letter of wishes will be treated as a gift to that person rather than to the ultimate recipient.

Individuals will now have to be more prescient in their arrangements. It will no longer be possible to imagine that any flaws can be put right after death. Existing wills should be reviewed. Discretionary wills must be reconsidered immediately and probably redrawn.

With the limitation on post-death-bed arrangements, lifetime planning assumes a more important role. The Finance Bill, however, limits planning as well. Before March 14 1989 an asset could be given away without incurring an immediate Capital Gains Tax (CGT) charge. Broadly, the gain that would otherwise have arisen was held over until the recipient himself disposed of the asset.

On and after March 14 1989, gifts will attract an immediate CGT charge based on their market value. Hold-over relief continues for certain business, agricultural and heritage property, including shares or securities in certain trading companies and groups, for gifts to political parties and gifts on which there is an immediate IHT charge.

This final category of gift would usually cover the creation of a discretionary trust (where distributions are at the trustees' discretion) or gifts to a company. Such gifts will still attract hold-over relief even if they fall within the IHT nil rate band or the IHT annual exemption of £3,000.

Where hold-over relief is not available or is not claimed on a gift of land, of unquoted shares or securities or of controlling interests in companies, the tax may be paid in 10 equal yearly instalments. Interest will, however, be payable on outstanding instalments.

Those not wishing to create discretionary trusts, but preferring to make lifetime gifts, may consider using cash or property on which (after indexation relief) no gain arises or where the gain is covered by the annual £5,000 CGT exemption.

It is likely that the creation of discretionary trusts, especially those with property initially worth less than £118,000 but which is set to increase in value, will become a more frequently used tax planning technique. This is especially the case since discretionary trusts can often be converted into other types of trusts without incurring a further IHT charge.

However, a CGT charge may now be incurred where trust property is transferred into a new settlement or a settlement comes to an end. Children's accumulation and maintenance trusts, under which a child obtains the trust assets absolutely on or before his 25th birthday, have been widely used in recent years for their IHT advantages. A CGT charge may now arise on transfer of the trust assets to the child.

Malcolm Gammie

The author is a partner in Linklaters & Paines, the London solicitors.

**Death: the unfinished business, Institute for Fiscal Studies*

Other business . . .

IT'S OFFICIAL: £8,500 a year no longer qualifies you for the title "higher paid," at least in the opinion of the Inland Revenue, writes Peter Martin.

That earnings level has been, since 1979, the point at which employees and directors become eligible for tax on payments in kind.

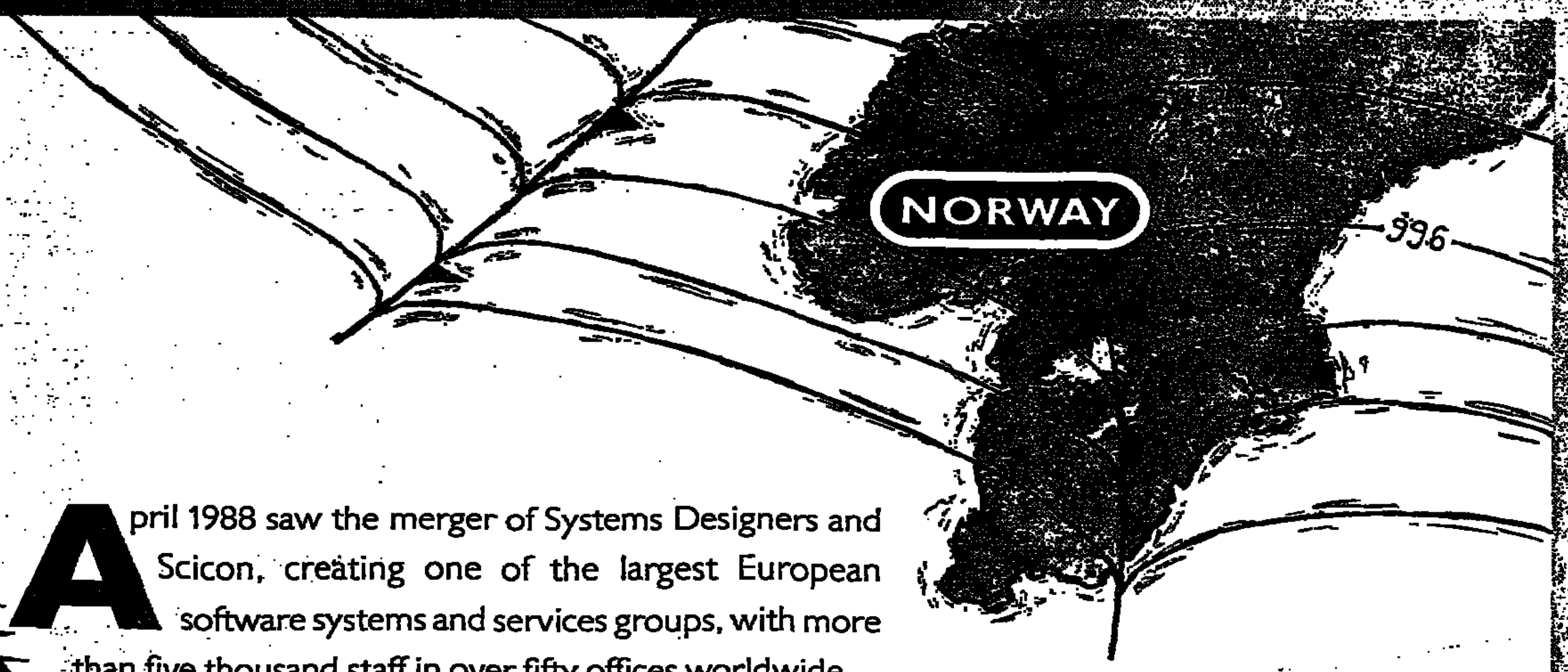
Now, the Revenue points out that calling such people higher paid "has become inappropriate, and can be misleading, since £8,500 is well below the national average for full-time earnings."

So the Finance Bill drops the phrase "higher paid," but keeps £8,500 as the threshold. The Inland Revenue hints that this is unlikely to change: "This threshold has applied since 1979 and the Government have at no time sought to increase it, since in principle all employees should pay income tax on the whole of their earnings, whether received in cash or kind."

THE CUSTOM of blending "made wines" of different duty strengths is to be prohibited in the UK following complaints to the European Commission from the Spanish Government, writes Lisa Wood.

"Made wines", generally called British wines, are made up in the UK from imported grape must. Big producers include J. Mather, a subsidiary of Matthew Clarke and Vine Products & Whiteways, part of Allied Lyons.

Spanish drinks manufacturers claimed UK Customs rules discriminated against their products after the prohibition in 1985 of the practice of duty paid blending of imported wines. Duty paid blending of different wine strengths enables producers to average out prices. Mr Tony Grayson of J. Mather said profit margins had been slightly affected, but there had been modest price increases since J. Mather stopped the blending of wines of different duty paid strengths.



The contract for the Norwegian Meteorological Message Switch was the fifth national meteorological system recently won in Europe. reinforcing SD-Scicon's position as a leading European supplier.

RESPOND is the RAC's new Computerised Customer Support System. The first phase, run from our UK Data Centre, is just one of a number of facilities management contracts won in 1988.

April 1988 saw the merger of Systems Designers and Scicon, creating one of the largest European software systems and services groups, with more than five thousand staff in over fifty offices worldwide.

Now, barely a year later, the combined strengths and complementary skills of our staff have been fully integrated, resulting in a major force in our industry.

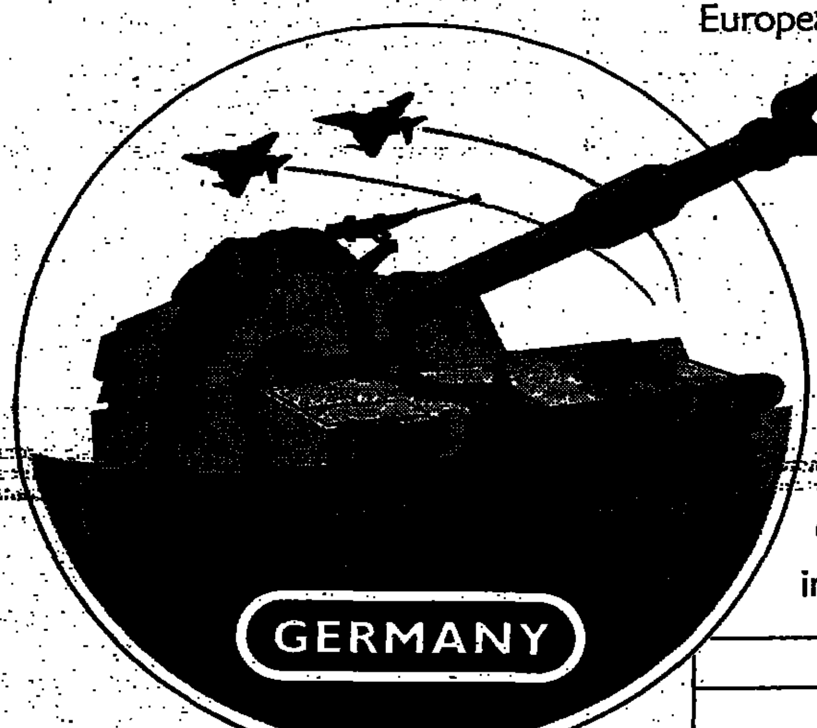
Our operations span six major market sectors: communications, finance, energy, industry, defence and aerospace and civil government. Each sector is supported by leading-edge technology research in key areas.

Last year nearly three quarters of our turnover came from Europe, with sales from our French and German companies contributing over half of this European total.

With the approach of the Single European Market in 1992, we are well placed to meet the challenge of servicing the needs of our present and future clients.

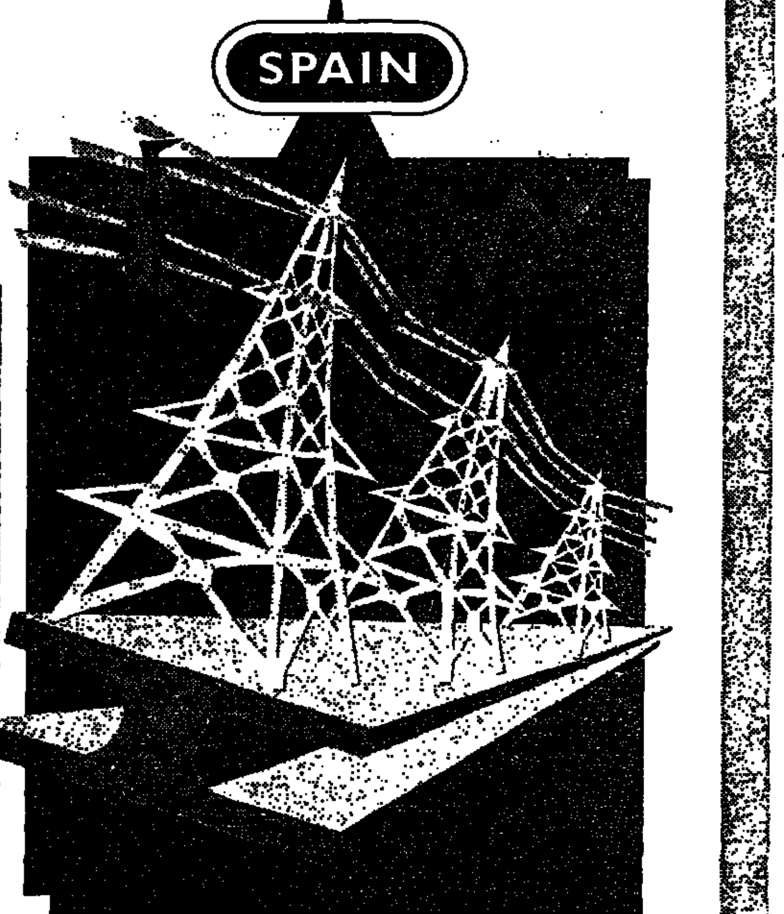
And in the USA our specialist companies servicing the financial and automotive sectors have maintained their strong market positions.

But whatever the areas of operations, our total commitment to quality of product, excellence of service and international strength underlines our strategy for the future.



Project JASMIN, a study of the German sub-system within NATO's Battlefield Information Collection and Exploitation System.

In partnership with Bull, the major French owned computer manufacturer, we are developing the reservation and administration systems for the new Opéra Bastille in Paris, to be inaugurated during this year's celebrations of the Bicentenary of the French Revolution.



In Spain, one of Europe's fastest growing industrial economies, we have established a strong position in capital plant maintenance systems with five contracts in 1988 in the steelmaking, oil and electricity industries.

FINANCIAL HIGHLIGHTS

	1988 £'000	1987 £'000
Turnover	221,565	83,644
Operating Profit	15,386	8,367
Profit Before Tax	13,354	7,363
Earnings Per Ordinary Share	4.01p	3.84p
Dividends Per Ordinary Share	0.75p	0.65p

Extract from the Accounts for the year ended 31st December 1988 which contain an unqualified audit report and which have not yet been filed with the Registrar of Companies. Earnings per share have been adjusted to take account of the rights issue in April 1988. The past is not necessarily a guide to the future.

Our 1988 Annual Report will be published in mid April. For a copy, please contact the Company Secretary, SD-Scicon plc, Centrum House, 101–103 Fleet Road, Fleet, Hampshire GU13 8NZ.

It all adds up to a successful year.

SD SCICON

S D – S C I C O N P L C

The contents of this advertisement, for which the directors of SD-Scicon plc are solely responsible, have been approved for the purposes of section 57 of the Financial Services Act 1986 by Ernst & Whinney, a firm authorised by The Institute of Chartered Accountants in England and Wales to carry out investment business.

MANAGEMENT

General Electric

The alliance-maker

Paolo Fresco, the man behind yesterday's deals with GEC, talks to Christopher Lorenz about his global role within the US group

Paolo Fresco is about to enjoy his first really relaxed weekend since October. As the person who launched the idea that his company, the giant General Electric of America, should forge several joint ventures with Britain's GEC, and who conducted much of the negotiations in person, Fresco is delighted that contracts were finally signed yesterday.

The three long months of detailed negotiations since the alliances were first "cut", as he puts it, have been less frenetic than the week in mid-January which culminated with agreement in principle between the two partners. Then he managed to snatch only 10 hours' sleep in six days.

The strain goes back to last autumn. Following discussions between GE and GEC in mid-1988, things began to get really hectic from late October, with Fresco and his colleagues having to play what he calls "a multi-dimensional chess-game," trying to anticipate possible moves by every interested party in the future of GEC, Plessey, and the whole European electronics industry.

There has been no more midnight sessions since January, but there have still been heavy pressure points. "Every time you're in the middle of something like that, you think there's a crisis," Fresco says. "But the GEC deals have been less complicated than others I've worked on."

There have been plenty of those. Under the prosaic title of senior vice-president international operations, Fresco has become very much GE's global alliance maker over the last few years, as the US company has manoeuvred furiously to escape from the North American isolation of most of its businesses, and to build leading global positions in them.

A tall, tough Italian of 55 who moves - and talks - with all the energy for which his mother country is famed, Fresco has prospered under the chairmanship of "neutron Jack" - Jack Welch, the man who has transformed GE from a worthy engineering blue chip to one of the world's most entrepreneurial and controversial conglomerates.

Over the past few years Fresco has negotiated (and often helped initiate) scores of alliances for GE, as far apart as Europe and Japan, taking in South Korea, India and Saudi Arabia. He has also acted as chief negotiator in such major deals as GE's 1984 sale of Utah International, a US/Australian mining company, to BHP of Australia for $2.3bn, and the 1987 swap of GE's $3bn consumer electronics business for the medical systems interests of Thomson of France.

Working closely with Welch himself, with the two vice-chairmen in Welch's Connecticut corporate executive office, and with the US-based heads of GE's 14 constituent businesses, the London-based Fresco says "my job is to be the eyes and ears of GE around the world. If I spot an opportunity, I say 'let's do something'."

This applies as much to the reinforcement of sales efforts in particular businesses and divisions as to the launch of new alliances and takeover bids. A few years ago, for instance, Fresco prompted GE's very US-focused defence division to accelerate a sales drive in the Far East. In Europe, he sparked the establishment of a special regional organisation to develop GE's medical systems business - a move which helped more than triple European medical revenue in two years, and paved the way for the Thomson swap.

Fresco calls the latter aspect of his job "the management of transitions." Whether it be the nurturing of medical systems, or the husbanding of GE's European factory automation interests until they were either sold or put into joint ventures, he says "I fill vacuums. All these assignments are temporary - once they are complete, I get out of the way."

With his additional responsibility of representing GE to governments and other "constituencies" in 16 countries around the world - mainly major developing nations - Fresco's life is exceedingly jet-bound. "Last year I was in the UK for only 112 days," he says.

His wife feels the travel load has grown worse in the last three years, since his responsibilities were enlarged to include the Far East, and since GE's global alliance push really got under way. This not only involves visits to the potential partners, but also more transatlantic travel. "If I come up with ideas such as doing a mega-deal with GEC, I have to talk with lots of GE people in the US," says Fresco. "Phone calls are not enough."

Paolo Fresco: "The GEC deals have been less complicated than *others I've worked on*"

Another occupational hazard arises from the unusually sensitive role of Fresco's 55-person unit within the GE organisation structure - there is plenty of potential for upsetting the business heads. In addition to 11 business development, planning and other executives based in London, his staff includes 35 people in developing countries, as well as a seven-person business development unit in Tokyo. Two years ago, when Fresco had line responsibility for more GE "transitions" than at present, he had a good 1,000 people under him - the complement fluctuates according to commitments.

"Reactions to us vary," he says. In dealing with GE colleagues, he and his staff have to deploy what he calls "the authority of knowledge, rather than organisational authority." In some cases, such as his defence initiative in the Far East, friendships with executives in the relevant division made things relatively easy.

But when he initiated the establishment of Medical Systems Europe, the division back in the US "was not so enthusiastic about this 'splinter group'. But success reduced the friction," he says.

The relationship with newly-established joint ventures has to be handled particularly carefully. Fresco will be one of GE's representatives on the boards of the GE-GEC ventures,together with the relevant business heads from the US. But informal relationships will be more important, he says.

The extent of his own involvement is something of an open question. "For me, the ventures will very quickly become past 'transitions'," he says: "I expect to be personally involved for only a year or so." But he adds quickly that "I *will* be the main GE actor in defining European expansions" for the ventures - which is, after all, one of the main purposes of their existence.

To the blunt question of whether GE and/or GEC may try to use the ventures to benefit at the expense of the other - a hidden agenda which other international alliance partners have carried out with great effect - Fresco is emphatic that joint ventures should be "win-win" relationships, which really benefit both sides. This is in spite of his Italian lawyer's training, which taught him to try to get the shirt off the other party's back.

Lawyers must take part of the blame for making alliance negotiations so nerve-wracking, says Fresco. "They try to resolve future difficulties today by introducing contention. They ask what will happen six months from now if one partner tries to do the dirty on the other."

For other reasons, too "I've never seen a deal that might not collapse at the last minute," Fresco continues. The initial agreement in principle sometimes prompts a competitor to react, and the inevitable negotiations over fine detail frequently flush out new facts - either about the other party, or about oneself.

Just such a development since January was GEC's realisation of the difficulty of separating its West German medical systems business - which both sides had planned to put into a joint venture with GE - from its Picker subsidiary in the US, which is remaining independent. Hence the conversion of the GE-GEC medical systems venture into a straight sale of GEC's UK business to GE.

Naturally enough, Fresco refuses to comment on whether GEC's general reputation for putting short-term financial gain ahead of long-term benefit is justified, and could interfere with the joint ventures in the future. "Only time will tell," he says, going out of his way to praise GEC's tight financial targets and good profitability.

But Fresco does stress GE's own view that alliances are valuable "not for what they bring in the next two years, but by the year 2000. There are people who ask 'is a particular alliance going to create a dilution next year?' - that's not our mentality."

Having found a strong UK partner, Fresco says GE still needs to take four or five further steps to strengthen itself in the rest of Europe. "I've been unhappy to see the months going by without progressing them," he says. Now he'll have time to take the plane to Paris, Frankfurt or wherever.

Africa's private sector

Nurturing a profit motive

Stephen Fidler on an initiative to raise management standards

The post-colonial preference of African countries for the state to guide most areas of economic activity is on the wane. Encouraged by the International Monetary Fund and World Bank, many countries in sub-Saharan Africa now appear to be convinced that there are benefits to be gained from a more vigorous private sector.

Statist policies have, however, impoverished the private sector, starving it of resources and talent. From the poor farmer, whose livelihood has been threatened by food prices artificially held down for the benefit of the urban poor, to the would-be entrepreneur, who faces foreign-exchange shortages, electricity brownouts, imposed prices and government interference, the task of revitalising private enterprise will be a tough one.

Well educated Africans have been attracted to the public sector in many countries, while more than a decade of economic decline has intensified a brain drain.

Daunting

Many African countries suffer daunting infrastructure problems. On top of that, poor management is widespread. The apparently simple task of getting goods that people want at prices they can afford is not so simple in an environment of poor financial management, non-existent cost control, no sales forecasts, limited technical competence and an inability to explore market conditions.

But in a culture where management skills are undeveloped, where do they come from? The International Finance Corporation – the private sector arm of the World Bank – has been working towards one possible answer, which it hopes will help accomplish at the company level what the World Bank and IMF have been trying to do at the economy level.

The idea is a profit-making company called the African Management Service Company, or AMSCo, which was launched yesterday in its new headquarters in Amsterdam, where it enjoys a tax-free environment.

Through management contracts, AMSCo will provide skilled senior managers, usually with experience in Africa, to run African companies. They will attempt to return companies to profitability and train African managers to take their places when they leave.

The shareholders in the venture are the IFC itself, various national development funds, the African Development Bank and, most significantly, western private sector companies, of which more than 40 have already signed on. From these companies is expected to come the management expertise to run the venture.

Its start-up capital will be $7m with a further $14m available in the form of loans or grants for those wishing to use AMSCo's services. AMSCo will operate under the umbrella of the United Nations Development Programme, which will give it tax-exempt status in Africa.

One problem AMSCo will not have to face is a lack of demand for its services. As Sir William Ryrie, the IFC's executive vice president, explained in Washington last week: "Many African countries suffer from a shortage of highly trained personnel. There isn't a lot of experience in running companies and there seem to be more management problems in that region of the world than elsewhere."

According to Keith Norman, who has been responsible at the IFC for bringing the idea to fruition, the seeds of the idea were sown by the poor performance of the IFC's own investments in Africa. It was an experience shared by national development finance bodies.

Studies in eight countries alone suggested 70 good candidates for AMSCo among its shareholders' own investments in companies with between 100 and 1,000 employees – AMSCo's target size. Since the project is deliberately starting small, this would be enough to keep it going for at least five years.

But as Norman says: "Demand is there from the sponsors but we can't close the door on others." These others might include state companies, and candidates for privatisation. In Madagascar alone, for example, there are 330 state enterprises, including the state-run taxi service. "It would just be impossible to exclude the state sector," he says.

Nevertheless, AMSCo will not brook government interference, unless it is to set the broadest guidelines. "We'll take a very long cold look at each company and make a very thorough diagnosis. The fact that it may be politically or socially desirable won't be relevant. What will be relevant is whether a company can operate at a profit."

AMSCo, which will also run specialist training courses, should be available to deliver other advantages. Many African companies have little contact with the outside world and their access to capital is highly restricted. If the project works well, contacts abroad, co-operation on technology and some foreign investment from AMSCo shareholders could be potential by-products.

The link with the African Development Bank is also seen as important. There is a legacy of anti-colonialism in Africa and a mistrust of western companies, particularly multinationals.

Sidetrack

Bringing in western experts from companies thrown out of Africa 30 years ago would not be good politics, whereas the ADB imprimatur gives the project an African flavour. In any case, AMSCo will only operate in countries with government agreement.

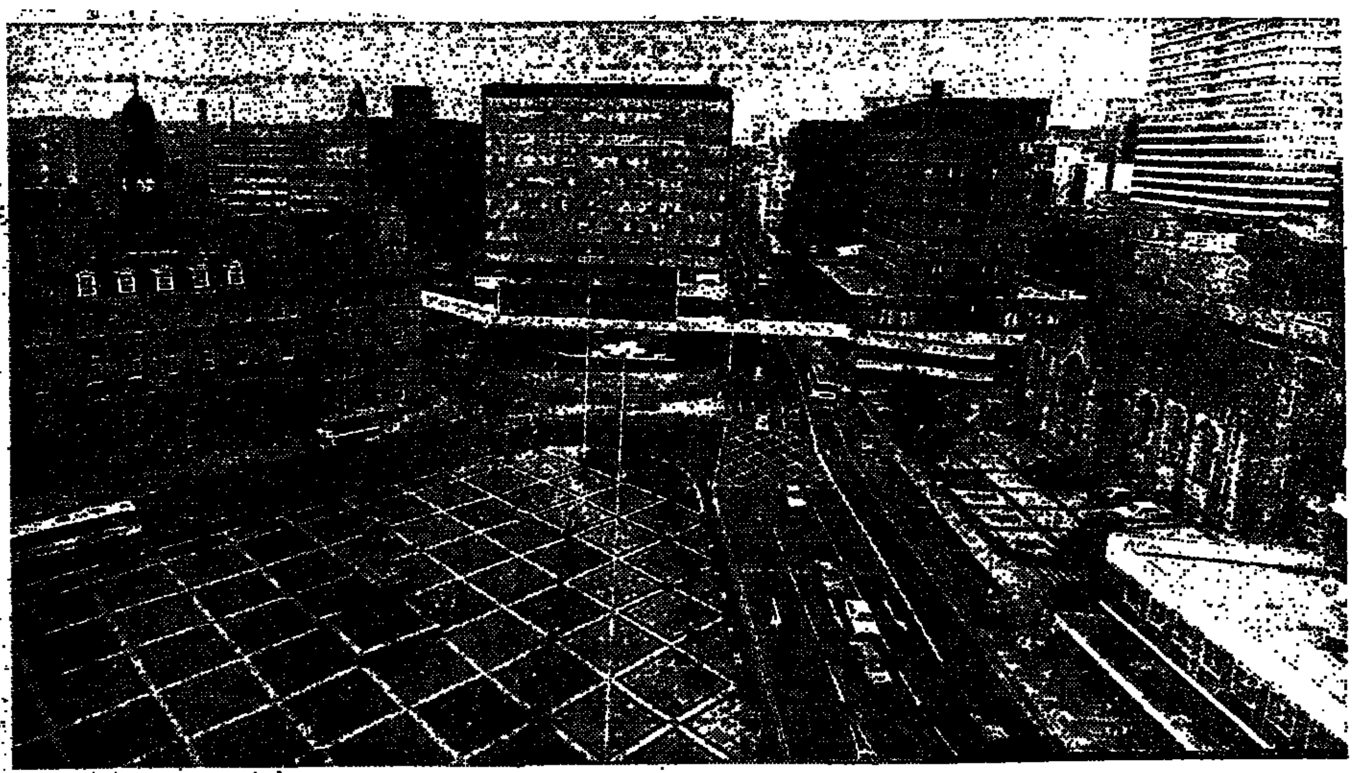
The AMSCo project starts with a personnel of about half-a-dozen. Its operations will be a drop in the bucket when compared with the totality of the problems facing the African private sector.

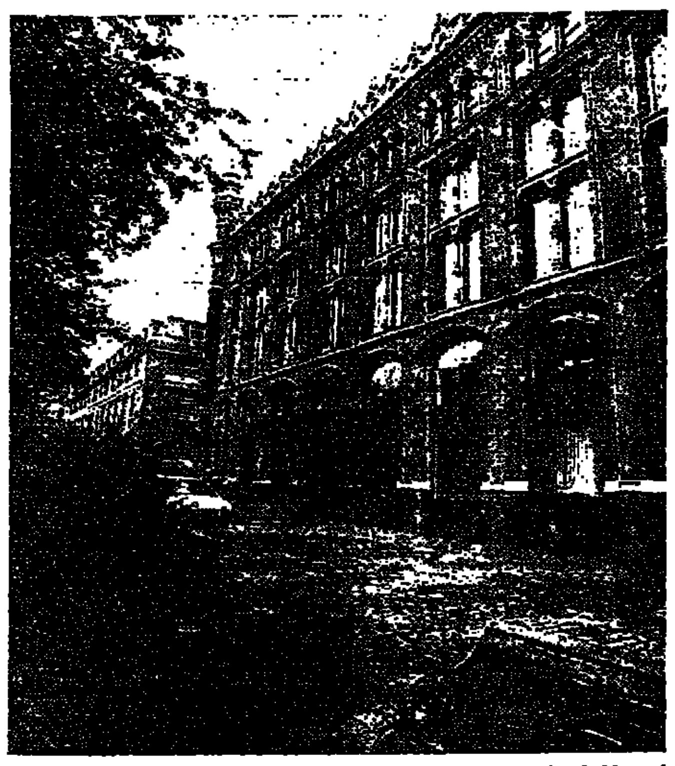
Doubts too will centre on the cost effectiveness and usefulness of using expatriates in Africa. AMSCo says it will only use managers with African experience, but the question of whether the highest quality western executives will want to sidetrack their careers by going to Africa will remain an important one. Others question whether it would not be more cost effective to establish local management courses.

Supporters say that returning a company to profitability will more than pay the costs.

FINANCIAL TIMES SURVEY

Analysts agree that the scale of potential development in Leeds goes beyond any conventional ripple effect in the UK economy. This bodes well for the city as it continues its bid to attract major companies and professionals, writes William Cochrane





Leeds city centre (far left) and a redevelopment of a warehouse which now houses several companies. Elsewhere in the city, builders are turning their attention to previously unfashionable areas

LEEDS PROPERTY

A rapid rise in regional status

"WE ARE LOOKING at a possible change of role, to Leeds the super-city, Leeds the capital of the North." Manchester may have something to say about this. But Mr Martin Eagland, chief executive of the Leeds Development Corporation, has more than sentiment on his side.

Property men, city fathers, financiers and builders say that the scale of potential development goes beyond any conventional ripple effect in the UK economy. Office, retail and major mixed development proposals reflect wealth, excellent road and rail communications, and ample land resources.

According to Mrs Jean Dent, of the Leeds City Council's department of industry and estates, Leeds started 1989 with 7¼m square feet of built office stock, and 5¾m sq ft of retail space in its central business area. However, there are proposals for another 2m sq ft of offices, and nearly 800,000 sq ft of retail space in the centre, some of the retail development replacing the existing shopping provision.

This, more or less, would allow the city to keep up with the economic recovery, boosted by booming demand from professionals such as accountants and solicitors for office space.

It would also, given the scale of developments proposed by local developers like Mountleigh Northern and Town Centre Securities (650,000 sq ft and 400,000 sq ft of offices, respectively) allow Leeds to attract companies looking to relocate their headquarters in the city.

In January, another local developer, Evans of Leeds, received the green light for its most significant development to date when Mr Nicholas Ridley, the Environment Secretary, gave the go-ahead for its White Rose Centre, a £100m edge-of-town shopping and leisure complex on a 91 acre site in south Leeds, close to the M1 coming from the south, the M62 crossing the country from east to west, and the M621 spurring off the M62 for Leeds itself.

With the prospect of headquarter offices and a true regional shopping centre in the White Rose, Leeds could argue for regional status. But it now has a chance of a national attraction in the scheme proposed by Triple Five for a gigantic combination of commercial, retail, residential and ancillary space, the latter including a theme park.

Triple Five builds big, and thinks big. It is famous for its West Edmonton Mall in Alberta, Canada, with its 4m sq ft of shopping, incorporating a 394,000 sq ft 'Fantasyland' funpark – the latter taking in a wave-pool, white-knuckle roller coaster, submarines and dolphins.

A year ago, it was planning something even bigger: a project stretching to 10m sq ft called the Fashion Mall of America at Bloomington, Minnesota.

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Bloomington has a population of only 80,000, but Mr Maurice Sunderland, the architect who designed West Edmonton Mall, told an international conference in Geneva that there were 33m people within 200 miles of the town.

It is believed that the company looked at other prospective locations in the UK, and in northern Germany before it settled for Leeds. The latter is excited – if also a little worried – since Triple Five's plans apparently include 3m sq ft of office space which could lead to indigestion in the commercial market.

In this atmosphere, it could be that the depth, and experience of public sector involvement in the city could serve it well.

Mr Mel Burrell is chief executive of the Leeds City Development Company, spun off by the city council in partnership with Mountleigh and Bovis Urban Renewal. He says that Leeds is currently down the league from Birmingham and Manchester in terms of office space per head of population and thinks that its present impetus could take the city a long way.

"I believe that, given the appropriate strategy, Leeds has the basis to actively increase its attractiveness, and levels of demand," he says. "Look at Glasgow, or London's Docklands. It's all about promotion or selling."

Mr Burrell observes that while Leeds is seen as "ok" by outsiders – Prudential Assurance and the P & O Group, Bovis's parent, are names that come immediately to mind – the reason why schemes by local developers are so prominent is that most of its investment to date has been internal, from groups like Mountleigh or Evans.

The latter, for instance, has designs on Hunslet, which was the heavy engineering centre of Leeds. Mr David Helliwell, group estates surveyor for Evans, describes it as "a mess of old, run-down industries together with small companies, the latter doing well in old property and really needing better accommodation."

Evans is working with Vickers, a major landowner in the area, and the Leeds Development Corporation (LDC) to put together a joint scheme with the city council to develop the whole area, which looks right at the moment for good quality industrial units.

Statistics for the industrial sector cover the Leeds Metropolitan area, or 217 sq miles. These state that total occupied industrial space was 44.1m sq ft towards the end of last year, with covered warehousing adding another 32.3m sq ft. The area has 465 hectares (1,127 acres) of land available for industrial development of which 64 hectares (158 acres) has planning permission.

The city council's Mr Chris Tebbutt says that the latter is roughly equivalent to 2.27m sq ft (211,000 sq m) of development and that construction started in 1988 on 1.19m sq ft (111,000 sq m). He adds, however, that an unidentified proportion of the latter would be development for business, or quasi office use rather than for straight sheds.

Mr Adrian Horner, of agents Weatherall Green & Smith, takes up the point. He says that there is a desperate need for the industrial development now in the pipeline.

"There are no industrial buildings around," he declares, noting that rents are comfortably established at £4 a sq ft and moving higher, adding that the hinterland south of the city, with its established motorway connections, looks ideal for further development.

A recent paper from the firm says that the area around the M62/M1 intersection at Wakefield and Normanton has seen dramatic developments during the past few years; in all, some 1.5m sq ft of space has been built there during the past 18 months, with more buildings already started and much more land available.

So while inner city decay is self-evident, where it exists, developers moving into Leeds are advised to remember that this is a strong, mixed economy. "Unlike some urban development corporations, we don't have large tracts of derelict land," says Mr Eagland of the government-sponsored LDC.

Where it does, he could see a new village for Hunslet on 50 acres. The LDC is also putting a lot of work into an environmental improvement programme, of which the first phase has been completed. "We have just planted 96,000 trees," says Mr Eagland, "with the biggest concentration in the south central area."

Under the present circumstances the depth and experience of public sector involvement in Leeds could serve the city well

Leeds, of course, is located just south of some of the most beautiful country in the world, the Yorkshire Dales. Together with the increasing property of the city, this has forced up the cost of living and working there.

Mr Neil Brown, a partner in the property department of local solicitors Hepworth & Chadwick, made the move from London himself and likes it.

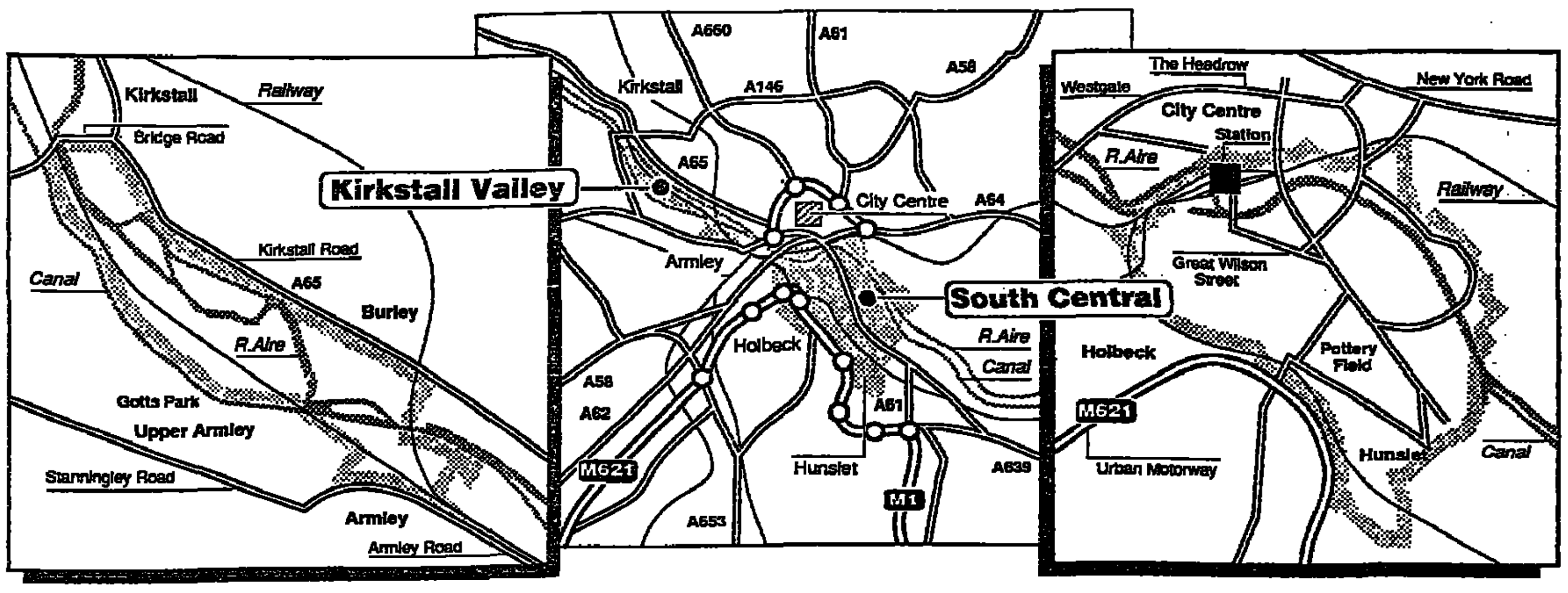
In a professional's overview of the property market in and around the city, he notes on residential property that up to two or three years ago, Londoners were able to move to Leeds and buy a substantial country property at a price equivalent to the sale value of a two-bedroom flat in Fulham.

"Quite a number of people in the commercial and professional offices in Leeds did so," he says. "However, the position has now changed dramatically and, in the most popular locations, quality property has become extremely expensive. Certainly the differential with London has largely evaporated."

It is not roses all the way. Mr Brown's competition, in the shape of Mr Michael Sleath at law firm Simpson Curtis, says that the city centre is just too compact.

"For a city which claims to have overtaken Manchester in terms of financial and service sector business," he says, "Leeds is sadly lacking in the essentials of modern day life, such as convenient car parking, hotels and even a more decent choice of quality restaurants for businessmen's lunches - a fact often lamented to me by surveyor colleagues who know about such things!"

Surveyors, and their clients, may care to explore the opportunity.



William Cochrane on plans to regenerate vast tracts of urban land

Business oriented public sector

THE PUBLIC SECTOR is making its impact on the Leeds property scene in more than one way. A new mini urban development corporation represents national government and, stemming from an active local authority, there is also an entrepreneurial combination of public and private sector interests.

Central government brought in the Leeds Development Corporation, a mini UDC given a life of five years, and launched last June to regenerate some 950 acres of under-used land in South Central Leeds, and 380 acres in the Kirkstall Valley, west north west of the city centre.

Three months earlier the local authority had launched the Leeds City Development Company, in partnership with Mountleigh and Bovis Urban Renewal, supported by the council's own department of industry and estates. The LCDC, too, was aimed at urban regeneration, but it has more than 200 square miles of Leeds metropolitan area to pitch into.

The industry and estates department had been pushing Leeds hard as a commercial and industrial location since it came out of recession in 1986, and had its strategy well in place by 1988, says Mr John Ansbro, the department's senior assistant director. But LCDC added non-political muscle, with an investment budget of £400m.

There have been suggestions that the LDC and the LCDC will get in each other's way. However, one is a planning authority, the other is a developer, and planners and developers should be able to rub along together when they both want to develop sites.

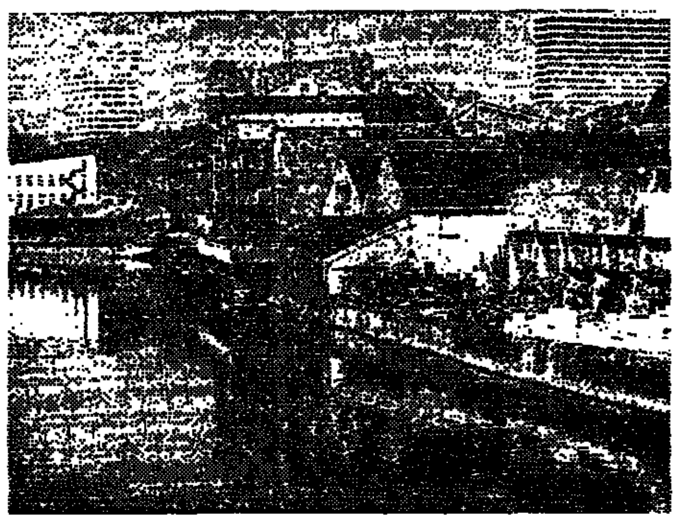
The LDC's plan, published last October, suggests that the corporation really does have a strategy.

All of the broad ground seems to be covered: and there are specific aims which indicate that it has got down to detail. These include:

■ "To facilitate the expansion of the city centre south of the railway viaduct, and to encourage the breaking of this psychological and physical barrier;"

■ "To pursue a case with the Department of Transport, for the provision of a direct link between the northbound carriageway of the M621 motorway and the southbound carriageway of the M1."

These recognise that (a) Leeds city centre has been a tight little area, constrained not only by the railway but by the Headrow to the north, and the inner ring road to the west; and (b) that the best of motorway connections can end in frustration if they peter out short of their destination.



Part of LDC's inner city regeneration programme

Major projects are already in the pipeline. Mr Martin Eagland, chief executive of LDC, is waiting in the Kirkstall Valley for the joint developers – Mountleigh Northern and the LCDC – to file a complicated planning application which would take in retail space of up to 245,000 sq ft gross, up to 350,000 sq ft of business park uses and up to 300 units of housing.

This, he notes, would take place on the site of a redundant power station, together with a now-demolished printing works.

"It's a difficult site," he says. "It needs flood prevention measures, a new drainage system, reclamation and land modelling; it has fairly substantial access requirements, and there would need to be open space and provision for wild-life and footpaths."

Development competitions are taking place for key sites like Centre Gate, which offers access to both the M1 and M621 only half a mile from the city centre; and Clarence Dock which offers prospects for a high-grade, mixed waterside development.

In south Leeds, he knows that the objective of bringing major development south of the River Aire could be achieved if one giant scheme comes off.

Triple Five, the Canadian developer famed for its mega-combination of retailing and leisure at West Edmonton Mall, has chosen a 100 acre, south Leeds site for its first European venture.

This would comprise about 3m sq ft of offices, 2m sq ft of retailing, 5,000 homes, a 1,500 bed hotel and theme park, and a 250,000 sq ft trade and exhibition centre. Triple Five presented its outline proposals on March 20, and the local authority has 30 days in which to reply.

However the Triple Five scheme turns out, says Mr Eagland, he is confident that the LDC will have a major success story to tell in three or four years' time.

Mr Mel Burrell, who helped set up the Teesside and Sheffield Development Corporations when he was with Coopers & Lybrand, is the chief executive of LCDC. He seems to be enjoying his role.

"If we were running a small development company," he says, "we would be in just a few schemes. In this company we are in about 40, with a share in each. We don't have to specialise in a sector; we go into different schemes with different developers, and in different ways."

Triple Five is looking to turn the development process on its head, says Mr Burrell. Normally, he explains, the developer would be expected to go in quietly, assembling his sites for a mega-development over a long period of time. Here, it is a different story.

"They are saying that they will do an enormous scheme if the planners promise to use their enormous land acquisition powers, give a binding commitment to get the land and make the development happen. This thing is huge," he says. "It's all or nothing."

Depending on one's source, the development corporation has anything between 75 per cent and 90 per cent of the target land within its remit. It will have to take account of 120 sites within the area already occupied by companies – most of which, presumably, would have to move elsewhere – and a lot of other development proposals already existing for patches of the site. "These would have to be stopped," Mr Burrell notes.

Like others, he sees the advantages. "It would change the economic base of Leeds, which would become a European-renowned city – for whatever reasons," he observes. But the 3m sq ft of offices in the scheme disturbs property professionals in much the same way that Canary Wharf, the massive office scheme in Docklands, in London's East End, threatened the City of London from three miles to the east.

"There must be a question of oversupply," says Mr Burrell. "In Leeds lately, development has been led by the provision of commercial space, and it may be time to emphasise other uses."

OFFICES

Professional appeal

LEEDS DEVELOPERS were fully tested when a major client came looking for a big office and could not find it. Now the structural steel of The Embankment, the first Leeds building to offer over 100,000 square feet, towers above the River Aire.

But Mr Roland Stross, a chartered surveyor who teamed-up with a builder and an accountant to form St James Securities, the group building The Embankment, emphasises that it will not look like the Asda HQ across the river. In fact, it is not meant to look like any one building at all, but like a street with different windows and different brickwork.

"Leeds is the location people want to move to but there was no building large enough for the sort of companies we want to attract. We want to create the largest floor area on one floor but, outside, we want it to look as if it was five different buildings. We want to retain Prince Charles's personal feel, a human scale.

"The Embankment, costing £30m, will not be West Yorkshire's biggest development for long. Up river on the other side of the railway station, Town Centre Securities plans 400,000 sq ft on the old SR toothpaste factory site. Further up river still, on the western edge of central Leeds, Mountleigh Northern Developments has planning approval for the £100m Citygate, which will offer 650,000 sq ft.

Mr Geoff Goodwill, the managing director, says Citygate is one of several sites being considered for a 400,000 sq ft office relocation; he has had inquiries for 300,000 sq ft and 250,000 sq ft. "It will need a substantial pre-let to get the show on the road but 100,000 sq ft could get us up and running."

A record 400,000 sq ft of offices was let in Leeds last year and rents in the new Westgate Point building have reached £12.50 a sq ft.

Back in 1970, says Mr Ian Barraclough of estate agents and surveyors Bernard Thorpe, rents were under £1. By 1973 they had doubled, thanks to demand from the city council and other public groups. A bank fed boom in the late 1970s made Leeds the first provincial city to reach £5 a sq ft.

That compared well with building costs of around £28 a sq ft and brought in the developers. But the Government's tight money policy killed the boom and, when the new buildings were ready, there were few takers. In 1982, only 70,000 sq ft was let, compared with a normal 200,000 sq ft. A million square feet was empty.

In 1985, however, 250,000 sq ft was let, followed by 300,000 sq ft in 1986. Leeds now has 40,000 people working in banks, building societies, insurance, accountancy and other financial services.

Leeds also has more big law firms than just about anywhere else, and three of these firms are moving into new offices. In 20 major office buildings just completed or under construction in Central Leeds, only 300,000 sq ft remains to let. So Mr Barraclough expects rents to continue to rise, particularly as tenants are not too worried about the price provided they get a quality building.

In 1986, he recalls, the £6.50 which Royal Insurance, William Hill and the accountants Grant Thornton agreed to pay for the St Johns Centre created enthusiasm. Last summer Spicer and Oppenheim agreed to £10.50. Bernard Thorpe are asking £15 for what remains of Westgate Point. "We expect to see £14 a square foot achieved in the summer," says Mr Barraclough.

He points out that success breeds on itself. In Leeds, rents compare well with building costs and attract investors. In other West Yorkshire centres, they do not.

At Elliott, Son and Boyton, Mr Richard Lewis reports substantial inquiries "but we have not got the buildings. Quite a few are coming out of the ground but what everybody will find is that they have been pre-let.

"The next 12 or 15 months will see increased rental growth because there will be a supply shortage. Even solicitors and accountants are seeking up to 100,000 square feet. New companies are coming, and we have major government departments from London looking at Leeds."

An important feature of all this is that the Leeds business district between The Headrow and Wellington Street is a brick built conservation area. Central Leeds's current showpiece, Westgate Point, which rises like a Burmese pagoda from an island site at the end of The Headrow, is built of the required bricks and slates.

City Square may be dominated by Sixties buildings, but the city planners are turning back the tide. Evans of Leeds has stripped off the cladding of Minerva House and is giving it a new overcoat.

Meanwhile, Town Centre Securities has received permission to refurbish the brick built Nos 7 and 8 Park Square, in the heart of the conservation area, and add new offices behind. Mr Edward Ziff, a director of Town Centre Securities remarks: "It has been a very long and arduous negotiation. I think the planners are pleased with it, and we are very pleased with it. When you alter magnificent, listed buildings or want to add to them, it becomes a very political discussion."

Leeds people are proud of the accessibility of their city centre, even if the road scheme frighten visitors. But congestion is growing and parking is restricted: new offices can offer only one space per 1,750 square feet.

So, against initial opposition from the council, there are now business parks outside the centre. Just to its north is Northside, to its south Central Park where Unisys is a tenant and the latest rents are £10.

Further out on the southern ring road, Arlington Business Centre, a vast glass building that belonged to the Systime computer company, is housing Natwest's Switchcard operation and the AA's information service HQ. It has also attracted Barclays and two companies involved in satellite television. Rents are reported to be up to £11 a sq ft.

On Leeds's eastern approach a consortium called Acorn is establishing a business park at Killingbeck. On the northern ring road is Evans of Leeds' Lawnswood development where the first 40,000 sq ft will be available in September.

Mr David Helliwell, of Evans of Leeds, comments: "Leeds's biggest problem is lack of parking with office access. Among companies that do not need to be in the centre, there is a strong demand for quality buildings in a pleasant environment with ample car parking. Lawnswood has easy access, and executives tend to live north of Leeds. We will be on a par with city centre rents of £12 a sq ft plus."

Mr Richard Lewis at Elliotts is not so sure. "If you push up rents too far, people are going to start looking at other areas." Weatherall, Green and Smith points out that the business parks are small. "What the region needs to ensure continued economic development is a major business park on the lines of those now familiar in the south.

David Spark

LEEDS HOUSE PRICES (£'000)

	Range
Back-to-back	£18-35
2/3 bedroom small through terrace	£25-45
Larger through terrace	£40-50
3 bedroom semi	£40-60
3 bedroom detached	£70-100
4 bedroom semi	£70-100
4 bedroom detached	£150+

Source: Maynard and Walton

LEEDS OFFICE RENTS (SQ FT)

1970	£0.87
1973	£1.75
1979	£5
1986	£6.50
1987	£7.50
1988	£10.50
1989	£12.50

Source: Bernard Thorpe surveyors

OFFICE LETTINGS PER YEAR (SQ FT)

1980	185,000
1981	200,000
1982	70,000
1983	210,000
1984	225,000
1985	250,000
1986	300,000
1987	350,000
1988	400,000

Source: Bernard Thorpe surveyors

INDUSTRIAL UNITS

Rising demand from producers

A CHAIN of industrial sites is forming at the motorway junctions south of Leeds, but new buildings should have been emerging 12 months ago, says Mr Michael Brodrick of Eddisons.

He is a little concerned about what will happen if the economy falters. At the moment it is buoyant and exciting. And, if you look at major companies' profitability, they seem not immediately susceptible to interest rates.

When the motorways first reached Leeds there was a rush of industrial development which resulted in over supply. Between 1982-86 the excess was being absorbed. "Then suddenly we have another boom. It has been an extraordinary 18 months to two years. In relation to demand, there was little speculative development coming out of the ground.

"The institutions were reluctant to consider the North of England because of their previous experience. There was a debate: was this boom here, or wasn't it? Then they came back in. New properties are letting at between £4 and £5 a square foot. But, if you say Leeds is at £4.50, it must be appreciated that 95 per cent of industrial sites are not paying £4.50."

Mr John Kirk at Bernard Thorpe points out that, for scarce land, industry has been losing the contest with office parks, which pay higher rents and have pushed up land prices from £50,000 to £150,000 an acre.

"There is a phenomenal demand for basic industrial units, and increasing demand from people who want to make things as opposed to store. Industrialists who slimmed down have now outgrown their premises and need to expand or relocate. In the past 18 months, industrial rents have doubled."

The use of 1.5m pallets has also created a demand for buildings 9m high, taller than the current trend for 6.4m high structures

Mr Brodrick hopes that new developments will give people better surroundings than the old rows of sheds separated by roadways choked with cars. "We are about to see a new generation of developments where more thought is given to design, to materials and, especially, to external landscaping and site coverage.

One of the biggest industrial schemes planned for Leeds is at the inland port of Stourton, south east of the city centre and close to where a new road from the A1 will meet the M1.

Stourton is already a rail freight and container base with customs facilities. British Rail has confirmed that it will be a terminal for Channel Tunnel traffic. Leeds City Development Company, Mountleigh and Bovis plan to develop 80 adjacent acres for industry.

David Spark

SHOPS

Buoyant sector moving upmarket

THE SHOPPING precinct between Briggate and Vicar Lane where Mr Jimmy Savile began his career, as barker for the Locarno ballroom, is being returned to its turn of the century glory. "All this horrible Sixties' stuff will vanish," said a spokesman for the owners, Prudential. "We are bringing the mahogany back."

The County Arcade, designed by the architect of the London Palladium, Mr Frank Matcham, is now being transformed into the Victoria Quarter at a cost of around £5m, explained Mr Brian Stroud, the project manager. "We are trying the impossible; to refurbish with most of the tenants still trading," he added.

The pomegranates, the figures of Justice and other virtues are resplendent once again on Mr Matcham's theatrical ceiling and friezes. Today's strident shop signs are giving place to the narrow, understated nameboards of yesteryear. Only six of Mr Matcham's mahogany shop fronts remained: more are being made by GF Joinery of Brighouse.

Italian tiles are being laid to a design by Ms Joanna Veevers. Mr Jim Horrobin is restoring the gates. One of the largest stained glass windows in Europe, designed by Mr Brian Clarke, will adorn the glass roof being built over Queen Victoria Street, between the County and Cross Arcades.

The roof will also protect the street's terracotta work, a popular embellishment a century ago. It does not weather well, Mr Stroud points out, but it is now being restored.

This is not the only scheme in Briggate. Arncliffe Holdings has just bought the Greenwoods shop there for refurbishment.

All this goes to show that Leeds is re-emerging and moving up market as a shopping centre. In the Headrow, on a site backing on to the city's prime, pedestrianised shopping pitch, Tarmac and Clayform are building the Schofields Centre, comprising about 50 new shops and a food court totalling about 42,000 sq ft on the site of Schofields' department store.

Beyond Vicar Lane, the Dutch developers MAB await the Secretary of State's consent to 450,000 sq ft of shopping plus a bus station on the site of Kirkgate Market.

Mr John Garner of the Norwich Union, which has built 30 shopping centres up and down the country and proposes to put £130m into Kirkgate, says: "We identified the commercial property boom taking place in Leeds and got in before the rest.

> **Specialist shops are making the running, as opposed to fashion and footwear. At the moment there is a blip throughout the country but higher mortgage payments have not affected disposable incomes as much in the north as in the south**

Near the motorways on the south side of the city, the Norwich Union is putting £20m into the Crown Point retail park, which opens this summer with Fads, Texas Homecare, Allied Carpets and Boots Children's World among the tenants.

Further south still, the Secretary of State has declared a proposal by Evans of Leeds, the 650,000 sq ft White Rose Centre near Morely, the winner in a contest for an out of town shopping scheme comprising shops, a hotel and a cinema. "Three million people are within half an hour's drive," says Mr David Helliwell of Evans. He thinks White Rose won because it is a regional centre, rather than a scheme which sought to compete with sites in Leeds city.

The Leeds shopping market was not always so upbeat. Three earlier city centre shoppings schemes, the Merrion and St John's centres at the top of Albion Street and the Bond Street centre at the bottom, all had to fight to get established.

"In the early days before the Merrion was roofed in, we did struggle," says Mr Edward Ziff of Town Centre Securities: "Lately we have done some super lettings. Rowntree Mackintosh are selling cookies; and the place really hums. In terms of pedestrian flow, it is one of the busiest places in Leeds."

Mr Ray Chan, surveyor in charge of the Victoria Quarter scheme, says that the shops there had belonged to the Prudential since 1955. "During the 1970s and early 1980s the area declined and we were considering whether to hold on or sell. We decided to renovate and generate new life.

"Since we began, Leeds has picked up. We have had a lot of interest from local as well as national retailers. But it has become more than that because there is so much history there. What is driving this project is not purely financial. You cannot show a return on stained glass.

"Our fund managers were convinced that the local economy was strong. There are quite a few development proposals which will help to assemble a stronger mass of shoppers. But we also wanted to show the Prudential as a supporter of regeneration and conservation and a patron of the arts. This project is very much a first."

Mr Peter Cooke of Bernard Thorpe says that specialist shops are making the running, as opposed to fashion and footwear.

Mr Ian Rowbotham of Weatheralls says that northern people tend to spend more of their income on shopping anyway.

Is there a danger of too many shops, with the Triple Five scheme in South Leeds proposing 800? Mr Ziff comments: "Including Kirkgate, there are probably enough to take Leeds through the 1990s. Leeds has a very busy city centre but to talk about doubling or trebling the number of shops would crucify it."

David Spark

Shortage of land is forcing builders to turn their attention to unfashionable areas

Lively activity down by the river

DOWN by the river where Louis le Prince made the first cine film and the temperance men founded the Band of Hope, the uneven stone setts of old Leeds streets have found a new purpose. They give extra cachet to the Victoria Quay flats with which Barratts started a new trend.

In the soot stained, semi-derelict area through the gloomy railway bridges, land now fetches £1m an acre. Down river, developers are bidding for the chance to put their money and imagination to work on Clarence Dock.

"We had built some city centre homes and were getting £20,000 to £30,000 apiece, says Mr Peter Fleming of Victor Homes, a local builder. "All of a sudden, Victoria Quay seemed to catch the imagination of the buying public. That has assisted everything else and now we are talking about £60,000 to £85,000."

Barratts were quick to spot the possibilities in a plan of action for the river produced by the city council and the British Waterways Board. Three years ago the first of their one and two bedroom flats, some in an existing building, some newly built in harmony, were sold for £19,000 to £28,000. Since then, they have rocketed, says Mr Ian Lumbard of estate agents Mawson and Walton, though he thinks the £80,000 that some people ask, hopeful of yuppy buyers, may now be proving ambitious. "Where are the yuppies? There just aren't any in Leeds."

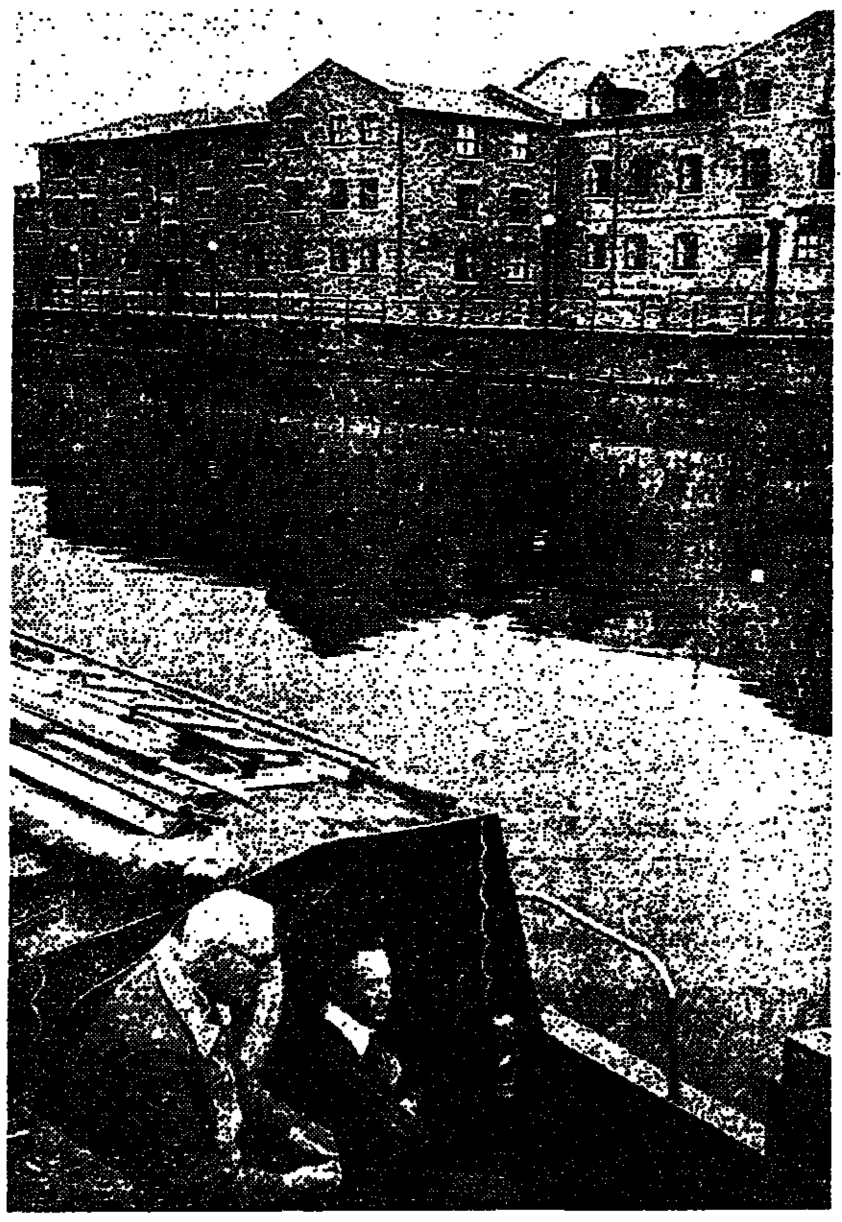
Last year was the big year for price increases. Mr Peter Toothill at Mawson's Horsforth office says: "We were putting prices on property and people were so desperate they were offering £5,000 or £10,000 more. There was not much new building going on."

Out at Guiseley, a back-to-back in reasonable condition could fetch £45,000 and a modern four bedroom house £170,000.

On Harrogate Road, Leeds, Arncliffe Holdings are building 32 flats and eight penthouses on the site of three earlier houses, one of which belonged to Arncliffe's chairman, Mr Ian Fisch. "They have gone extremely well," says Mr Fisch. "The price is now over £200,000 for a penthouse and £150,000 for a two bedroom flat."

Mr Lumbard of Mawsons estimates that prices paid in Leeds rose last year by 55 per cent to 65 per cent. "There are odd cases where they have gone up 100 per cent but they were very cheap to start off with."

Current Leeds prices, he says, range from £18,000 for a back-to-back in a down market area to over £150,000 for some four bedroom detached properties. Even in some down market areas, large, terraced houses fetch £40,000 to £50,000 because they are partly let as bedsitters. A prime, stone, terraced house with garden can be £100,000. "We just sold one at Horsforth."



Victoria Quay, a popular riverside development

Around Leeds, stone fetches more money. "If you put money into stone, you can get the premium back in the sale price," says Mr Fleming of Victor Homes, formerly a Sandi-owned company bought out last year by its managers.

This year, higher mortgage rates have slowed the market. Mr Lumbard believes the growth of office jobs is one reason why Leeds has been less hard hit than the south. Mr John Parlour of Tay Homes which is building houses for around £100,000 at Bramham, near Wetherby, says they are selling very well. "Leeds seems to have a unique buoyancy at the moment," says Mr Fleming.

Leeds is at the south-west corner of a golden triangle that stretches north to Harrogate and east to York. "Within that area, a housebuilder can hardly go wrong. That is where a great number of upwardly mobile people who come into Leeds want to live."

Wetherby, within this triangle, and also now within the Leeds boundary, has grown; but the villages are keenly protected. A city planner remarks: "We get terrible disputes even over house extensions. At Boston Spa, people are very hot. The whole village is a conservation area."

Mr Fleming points out: "The green belt has been extended in the past 10 years and that has tightened everything around cities and towns. We have our Nimbys: nobody wants anything else built near them."

"The land-supply problem is as acute as in the south. You used to be talking about £100,000 an acre but one owner has just sold some at £600,000."

So Victor Homes has turned its attention to unfashionable areas, to sites with special problems and to the inner city where developers are welcomed by the planners.

"We have been very surprised by the demand. We are building 53 houses at Drighlington. That is unfashionable but we are approaching £100,000 for a four bedroom house.

"It was not possible to connect the site to the surface water drainage. Our engineer came up with the idea of drilling a borehole. At 110 metres we found strata to take the surface water until there is a new outlet."

Tay, too, is building in the inner city, for as little as £20,000 "where you can get a city grant," says Mr Parlour. Across the river from Victoria Quay, it is building 44 flats which will range from £70,000 to £80,000. Mr Fisch says that Arncliffe is expanding its residential development and is particularly interested in refurbishment. At Adel Mill, we are going to convert farm buildings into 14 dwellings."

Leeds planners do not agree there is a shortage of building land. A report this month shows enough sites identified for the next five years at the private builders' average of 1,530 homes a year, with more publicly owned sites sure to be released. The problem may be, in part, that 8,000 house sites in the rhubarb growing country south of Leeds encountered both local objections and drainage problems.

An important question is whether a city growing commercially requires a growing rate of housebuilding. Mountleigh, which established itself as a developer with a homes deal for the American air force, is back on the housing scene with a plan for a new settlement near Wetherby but on the other side of the A1 road.

"There is tremendous pressure for housing in the Leeds area, says Mr Geoff Goodwill.

Mr Ken Morton of Landmark Development Consultants sums up: "Leeds is a good place to live and work. The residential areas are superb and not very far away. You can live out in the country and be at the office in 30 minutes."

David Spark

HELICAL BAR

Project that has set people talking

WESTGATE POINT – "the building everybody's talking about", according to a rival developer – is part of an ongoing commitment to Leeds by Helical Bar, the London-based property company.

The deal was brought to Helical by Mr Clive Scott, then a consultant but now a director of the company. It bought the site in June 1987, topped out the 46,000 sq ft. seven-storey office block in July 1988 and completed it on schedule in January of this year.

One reason why people are talking about the building is that 20 per cent of the office space, in two small floors, remains to be let in an ill-supplied market. The first 80 per cent went at £12.50 a sq ft, and Helical is looking for the magical figure of £15 a foot for the remaining square footage.

The new occupiers will include a merchant bank, two major insurance companies and a group of leading surveyors. The first occupants were expected to move in this month. Mr Scott and his co-directors had toyed with letting the building to a single occupant, but the prospective client ultimately decided that it needed more space than Westgate Point had to offer.

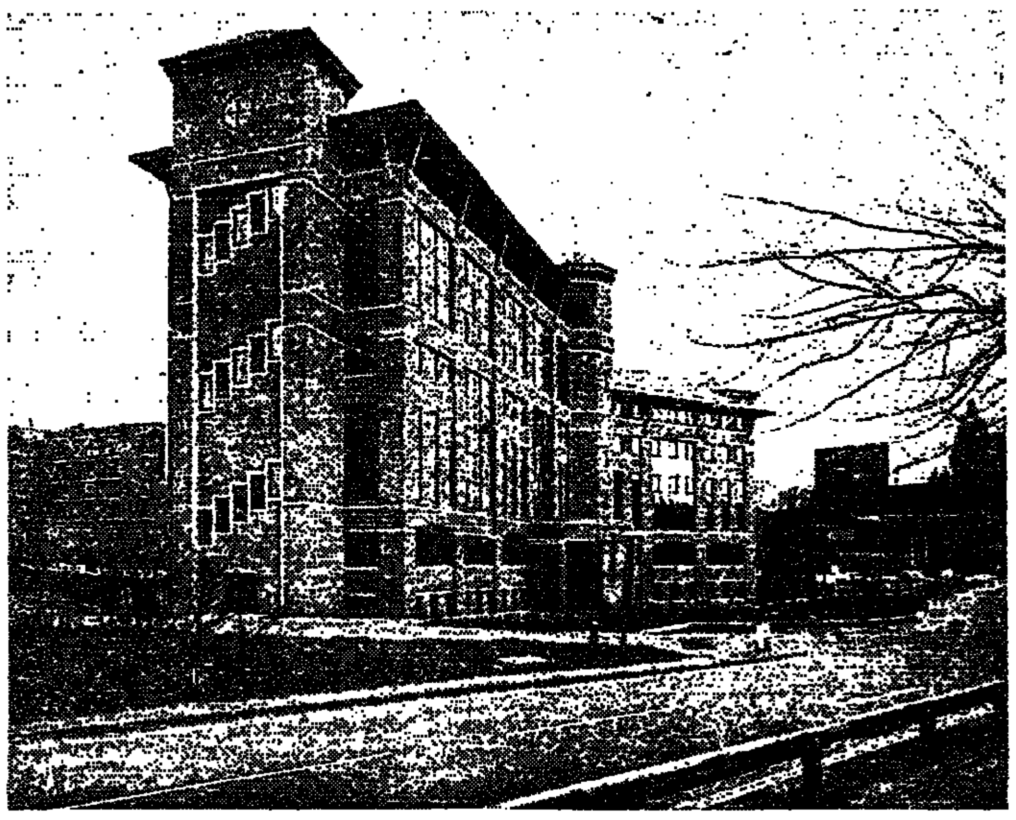
Another feature is its construction, in red brick and stone rather than the glass box which earlier developers had in mind for the site. Leeds loves brick, apparently, and the planners put a stop to more exotic schemes. The building also has solar resistant glazing, and raised access computer floors to meet the requirements of major office users.

A further talking point has been in its location, on an island site at the Westgate end of the Headrow, which used to be occupied by a textile factory. Prime office use has had a psychological, and physical hurdle, to clear in the inner ring road to the west of prime pitch, and Westgate Point may have helped it clear that barrier.

Mr Scott says that his function as a director of Helical Bar is to allocate investment to areas of strategic importance. Yorkshire, and Leeds particularly, has been one of these areas.

"We have made a number of acquisitions in Leeds," he says. "We've spent about £1m a month over the last 18 months on development and investment in the city, and we have allocated a lot more money to follow that over the next couple of years."

William Cochrane



Westgate Point, one of the most talked about constructions in recent years. Twenty per cent of the red brick and stone building's office space has yet to be let

EVANS OF LEEDS

Major local player

EVANS OF LEEDS, a local property developer which goes back 50 years, hit the headlines in January when Mr Nicholas Ridley, Secretary of State for the Environment, gave the go-ahead for its White Rose Centre on a 91 acre site in the south of the city.

The White Rose will include a 650,000 sq ft regional shopping centre, a 200 bedroom hotel, a 10 screen multiplex cinema, garden centre, food court, creche, bus terminal and parking for 1,900 cars.

Evans gained permission at the expense of two other proposals to develop out-of-town shopping complexes: from Sheraton and the University of Leeds, proposing 500,000 sq ft on 55 acres of playing fields on the residentially-favoured north west quadrant; and from Mountleigh Northern Developments at Pudsey, where it had hoped to accommodate both Asda and Marks & Spencer.

Mr David Helliwell, group estates surveyor for Evans, notes that his was the site where development would enhance the area. "Currently, there is a sewage works under part of it," he says. "Another part of it is a rubbish tip." The land is owned by Yorkshire Water, but Evans has an option to acquire it.

David Helliwell

Sited on a dual-carriageway road between the M62, its M621 spur and the M1 – "all within half a mile," says Mr Helliwell – the White Rose will be able to pick up trade from the whole of West Yorkshire, South Yorkshire and South Leeds, with 3m people within 25 minutes driving time.

During the next two to three years, Evans is planning 500,000 sq ft of office space, and another 500,000 sq ft of industrial space in a big development and refurbishment programme. It has strong ideas about location, and quality.

"If you're going to build offices outside Leeds," says Mr Helliwell, "you should build them to the north; that's where people like to live." At Lawnswood, on a 10 acre site fronting the North Leeds Ring Road, Evans has started the first phase of an out-of-town development.

Lawnswood, eventually, should provide up to 180,000 sq ft of high-quality office accommodation. "It has a better specification than anything in Leeds at the moment," Mr Helliwell claims. "We are expecting rents of £12.50 a foot plus, and you'd pay the same in the city centre for any real amount of space."

In the centre, Evans has started work on the refurbishment of Minerva House in East Parade. The building is being stripped down to its frame, completely reclad, and upgraded to provide 55,000 sq ft on nine floors with a ground floor banking hall for Royal Bank of Scotland, the existing tenant.

On the industrial front, the company has completed the first phase of its Apex Business Park development, a mid-tech business accommodation with a high percentage of office space close to the M1/M621 junction in South Leeds. The units are now let or under offer at rents in excess of £4.50 a square foot.

William Cochrane

DEVELOPERS

Growth prospects still strong

IN THE 1960s when Mr Arnold Ziff of the Stylo shoe shop family set up Town Centre Securities, the life of a developer in Leeds was reasonably simple. With money borrowed at 5 per cent and a return from rents of 10 per cent, profits were made.

That changed with the collapse of the property boom in the 1970s. Initial rents no longer covered costs and investors needed an insurance company or a pension fund to take the building and stand the loss until the rent review.

Alert former surveyors are now constantly on the look-out for sites which are likely to become available and for prospective tenants. They then sell the deal to a property company or an institution, and act as project manager.

One of Leeds's best known is Mr Ken Morton of Landmark Development Consultants who launched and managed the building of Westgate Point. Before Landmark, he worked as a surveyor, transferred to a London property company, returned to Leeds and "decided what I was really in was development." He has been sole proprietor of Landmark since 1983.

"I keep very closely in touch and become aware of opportunities. I might approach people, to see if they might be prepared to sell. If I see something big, I organise to buy the property and find a major commercial partner.

"We are building the final office of the Westgate Centre, 14 storeys for the Inland Revenue. We have financed that ourselves. We are also project managers for Abacus, 43,000 sq ft opposite the town hall and we are developing phase 2 of Lisbon Court on Wellington Street as a 50/50 partner with St James Securities. We sold phase 1 to Sun Life of Canada."

Demand is now so high that speculative development is attractive

The company is also planning the 130,000 sq ft Fountain Plaza with Mount Ebor, a local property company.

Although the Post Office pension fund, Scottish Life, Norwich Union and the Prudential all have a stake in Leeds, there is, one suspects, a reluctance among the city's Yorkshiremen to sell their schemes to institutions from out of town.

Town Centre Securities and Evans of Leeds normally hold on to their buildings. St James Securities goes further: besides investing and developing it also undertakes the actual construction of the building. The boom has attracted other Yorkshire building companies into Leeds office development, such as Arncliffe Holdings and J and J Fee. Demand is now so high that speculative development is attractive, says Mr Timothy Fee.

Developers are wary of the Canadian Triple Five scheme. Leeds is doing well without it, says Mr Morton. A lot of people like Leeds the way it is.

Mr Roland Stross, of St James, says that The Embankment, the first Leeds property to offer in excess of 100,000 sq ft, is not a scheme which might happen in five years' time. It is happening now.

What attracts the institutions to Leeds? Mr Ruaridh Budge, general manager, investment, for Scottish Life, says Leeds is a good example of a provincial city where rents have picked up after showing little growth for some time.

"You can identify good value. You can buy good properties on yields of 7 per cent, and the prospects for growth are still good. In the City of London it is more difficult because rents have already shown substantial rises.

Scottish Life has just completed a building in The Headrow. "We are not keen on doing much speculative development. We already had tenants lined up."

David Spark

BOVIS

Partner in urban regeneration

DEVELOPERS, noted for flying in on a wing and a prayer, are often quite systematic these days in the way they address new situations. Bovis, and other parts of the P & O Group, were addressing urban renewal and regeneration early in 1987 according to Mr Bernard Hodgson, a director of Bovis Construction.

In the summer of 1987, Mr Stephen Bennett was seconded to the group from the civil service, in tacit recognition of the bridges that sometimes need to be created between government, local authorities and industry.

Bovis opened a dialogue with Leeds City Council in November 1987; incorporated a specialist subsidiary, Bovis Urban Renewal, in March 1988; and, at the same time, launched into partnership with the council and Leeds City Development, itself a company formed between the council and commercial interests.

This is not just philanthropy. "We were conscious two years ago of the business to be done in urban development. Urban redevelopment is a coming market of considerable importance as far as the British construction industry is concerned," says Mr Hodgson. "It was also important that we decided to engage in that business by way of the partnership route."

Development partnerships are traditionally set up for one major project. This one, says Mr Bennett, is a little different. "The Leeds approach is comprehensive and co-ordinated," he says, "taking in a whole mix: job creation, improved and more housing, public and private development and environmental enhancement in its own right."

There will be a rolling programme of projects. "Each scheme undertaken by the partnership will be structured in a way which reflects its dynamics," says Mr Bennett. The partners will share in varying degree – there will not, for example, be a three-way split of schemes with minimal economic rewards. "Outputs," he says, "will reflect inputs."

There are 15 schemes which have been, or are being studied. On four of those, viable developments have been proved and work will start later this year. They embrace retail, office and industrial projects, and include a new Channel Tunnel Freight Terminal at Stourton.

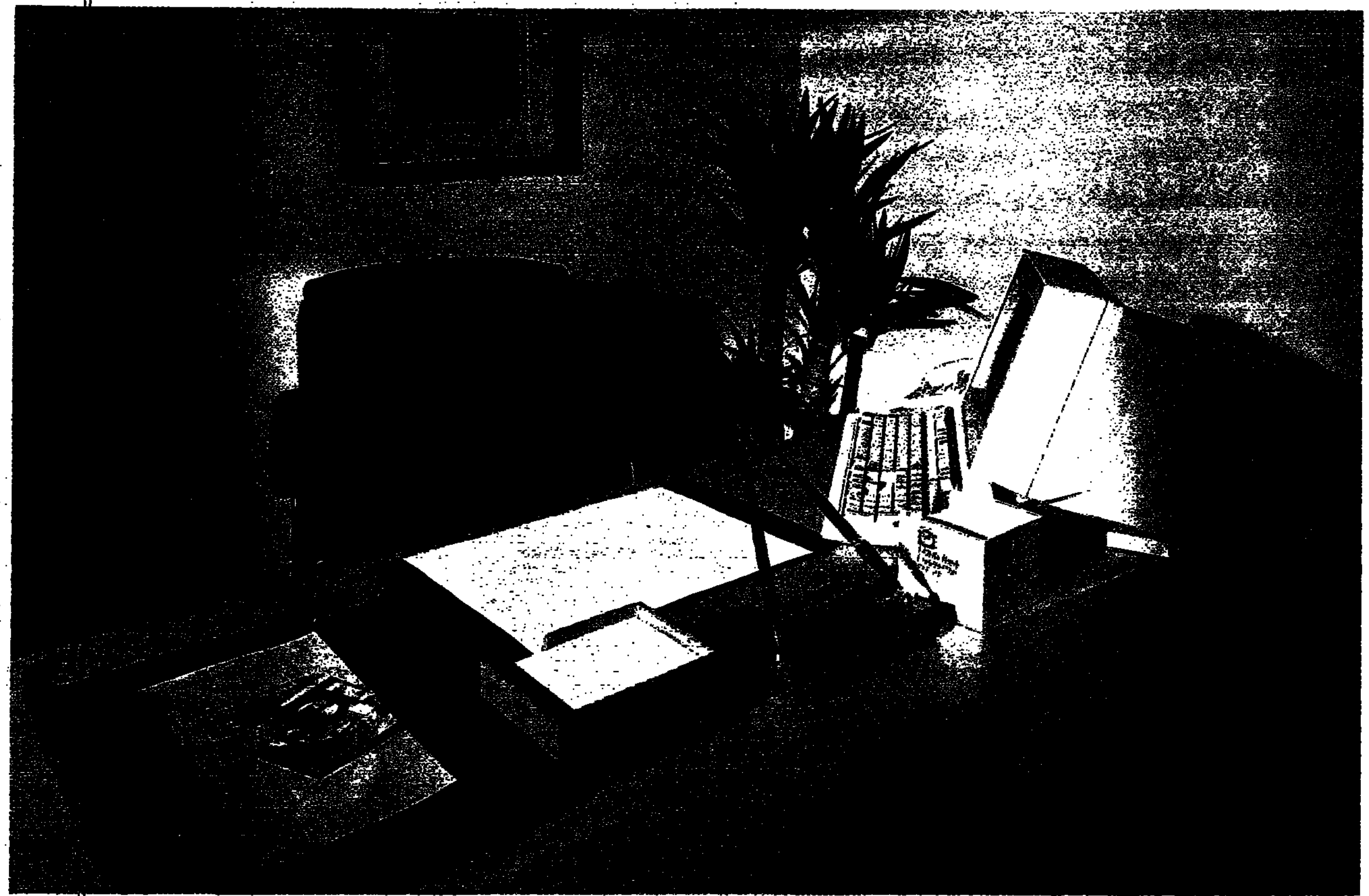
BUR is in this one with the council, Mountleigh Northern Development and Railfreight Distribution. The scheme will embrace 100 acres, of which 80 acres will be devoted to a business park, distribution and industrial space in addition to the terminal itself. It is hoped that this project will create 1,500 new jobs for the area – extra jobs, says Mr Hodgson, not jobs shifted from other areas as is so often the case.

The partnership has an initial life of five years and is renewable. The BUR criteria for projects, says Mr Hodgson, include those which are viable in commercial terms; and those which provide amenities and social benefits which, in themselves, are not commercially viable but which can be 'packaged' with money spinning schemes to make the combination financially attractive.

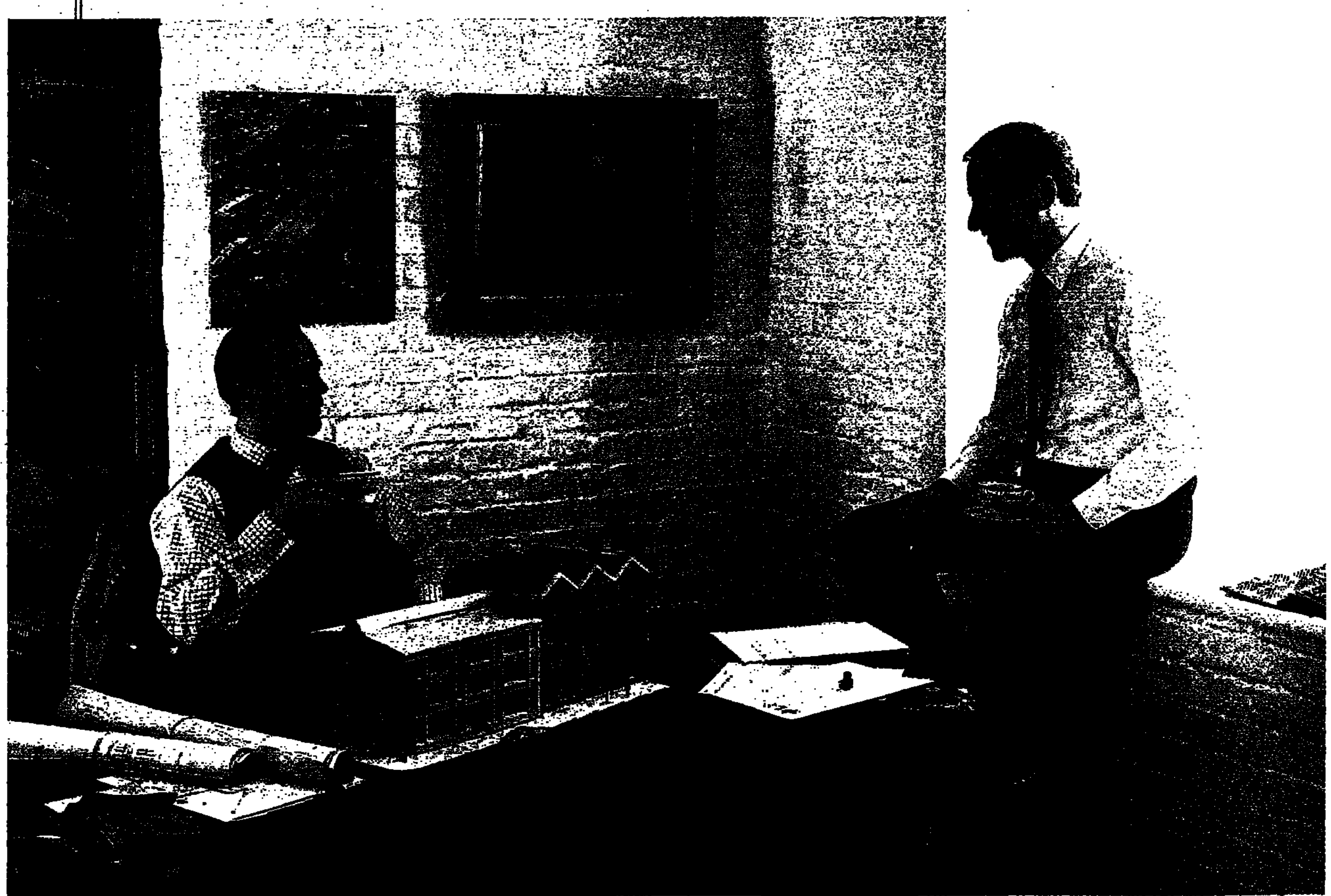
"We are trying to dissuade local authorities from disposing of their assets in traditional ways," he adds. "Usually, they sell to the highest bidder, and the fallacy in that is that the highest bidder needs to make a profit on top of his high bid."

By taking that route, he contends, the local authority misses its opportunity to maximise its *proper* return – getting real value, or the best consideration in more than monetary terms for turning over its land resources. "The local authority should be part of the development process, and share the benefits," Mr Hodgson concludes.

William Cochrane



"My bank manager is never there when I want him."



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TECHNOLOGY

Towards the winter sport of kings

Jane Fuller explains why the British racing fraternity is moving on to a radical track

The flat racing season now under way in the UK is different from any other in the sport's 278-year history. For the first time it will carry on through next winter on a surface other than turf.

This breakthrough has been made possible by the development of artificial surfaces to the point where they have been accepted for racing, as opposed to just training. And although the attitude prevails that racehorses are built to gallop on grass, the market is gathering pace for surfaces that enable them to gallop in all types of weather.

For flat racing, the Jockey Club's decision to encourage the installation of all-weather tracks will extend the season into the colder months. For the traditional winter spectacle of National Hunt (jump) racing, it offers refuge from a programme that can be pitted with abandonments.

The problem is not just one of disappointed racegoers. It represents a hole in the sport's income derived from betting, via a national levy.

Rodney Brack, financial controller at the Horse Race Betting Levy Board, explains that of the past year's £3.5bn annual betting turnover, £31m came to the board to be distributed to the sport. According to his estimates, the 80 days' racing typically lost through abandonments each year would generate an extra £1.2m for the levy.

The planned winter programme of flat racing and hurdling is designed to make up that loss by adding at least 60 fixtures to the annual total of about 1,000. (Steeple chasing is excluded at this stage because of worries about horses jarring themselves as they land over the bigger fences.)

The levy board is offering a 10-year, interest-free loan of £1.5m to each of the two courses installing an all-weather track, which involves laying one of the modern surfaces over a drainage system.

So far, the courses have a choice of two Jockey Club-approved materials: Fibresand, made by Equestrian Surfaces, of Cheltenham, and Equitrack, from a Newmarket-based division of En-tout-cas, part of the Crest Nicholson building and leisure group.

Fibresand, the first to gain approval, is a mixture of sand and rot-proof polypropylene fibres. John Richardson, managing director of Equestrian Surfaces, says that the fibres hold the sand together and greatly reduce kickback. This flinging of sand into the faces of following horses and jockeys has been a source of complaint about some other surfaces. In the US, where racing on dirt – a mixture of loam, sand and clay – is common, jockeys sometimes wear layers of goggles, discarding one bespattered pair at a time every couple of furlongs.

Fibresand has been laid on about eight miles of gallops and it has also made progress in the market for equestrian arenas. Its resilience in extreme weather conditions depends, however, on careful maintenance. Applications of salt are needed to combat frost and in dry periods it must be irrigated.

For Equitrack, En-tout-cas chose a different way to give the sand cohesiveness and weather resistance. The company has patented a synthetic binder, comprising a polymer with extending oil to make it viscous.

The sand is coated with the binder and the track is put down while it is hot, "like a road being laid," says Ken James, managing director of En-tout-cas. It is rolled to form a firm pad and the upper two to four inches – depending on the type of going required – are "fluffed up" by harrowing.

At the company's laboratories, the mixture was tested by stimulating both the pounding of hooves and the climatic extremes which the surface would have to withstand.

The price is high: a race track costs between £1m and £2m, a gallop between £200,000 and £500,000, says James. However, savings on salt and irrigation mean that it is cheaper to maintain.

Apart from being laid on several gallops, including ones in Hong Kong and Australia, Equitrack is in use at one US racecourse: Remington Park in Ohio. Between September and December, 700 races were run on the new surface.

Racing on Equitrack at Remington Park in Ohio

David Vance, executive vice president and general manager at Remington Park, says that the track not only stood up well to wet and freezing weather, but also proved safer than some other artificial surfaces. "In 70 days' racing, we only took nine injured horses off the track. I know tracks where 50 or 60 would have been injured."

Both James and Richardson agree that the US is the biggest market for synthetic race tracks and training gallops. This is partly because of the sheer numbers involved: according to James, "there are 9m horses in training and between 130 and 140 race tracks"; and partly because of the way the sport is conducted. The Americans are used to artificial tracks, they race intensively and they train where they race.

Despite the extensive experience of artificial surfaces in the US, there is a widespread view in the UK that grass cannot be surpassed as a racing surface. John Cameron-Hayes, chief executive of the Racecourse Association, believes that horses will be more prone to both lameness and breathing problems if they race on artificial surfaces. And although the jockeys will welcome the extra riding fees, they are concerned about the stinging effect of kickback.

Jonathan Weatherby, director of development and planning at the Jockey Club, recognises that trainers will initially test the new surfaces with moderate horses. However, since the entries for novice and maiden races often exceed the places available, the argument is that a demand exists for more races at this level.

The first UK racecourse to accept the challenge of all-weather racing is Lingfield Park, in Surrey. It is laying a 1¼-mile Equitrack circuit as part of a £4m-plus expansion of the course and its facilities.

Fred Clarke, chairman of Lingfield Park and a director of Leisure Investments, which bought the course last year, says that the new track should help to generate income in a variety of ways, some of them far from conventional.

Apart from raising attendances and betting revenue, increasing the number of fixtures will draw in a larger grant from the levy board and a bigger income from Satellite Information Services (SIS) for broadcasting the races to betting shops.

Taking a long view, Clarke sees all-weather facilities acting as a catalyst for change in the racing scene. His company is developing the racecourse as part of a leisure complex, and it may extend the track's uses to such things as bloodstock sales and trotting races.

And to dispel further the deserted image associated with racecourses between meetings, the facilities may be used year-round for training, as they are in other countries.

The second venue for all-weather racing is Southwell, in Nottinghamshire, where the owners, who sold Lingfield Park for £7m, are extending the facilities to cope with a more intensive programme. Richard Muddle, a director, welcomes the idea of flat racing in the winter: "There are too many horses and not enough opportunities."

One of the surprising things about the UK racing fraternity, which has so far appeared conservative, is that artificial surfaces have been used for training since the last century.

Robert Fellowes, who manages the Jockey Club estate at Newmarket, says that the earliest artificial surface consisted of boiled pieces of bark – a waste product of tanning. Another practice was to dress the turf with peat. Then came sand, wood chips and the more modern sand mixtures.

Newmarket, a centre for training with a racehorse population of 2,400, is an obvious target for the makers of artificial surfaces. One of the recent samples to arrive on Fellowes's desk is a piece of plastic netting, which is part of a product called Techturf, from BritAg Industries, an ICI subsidiary.

Techturf comprises natural, albeit specially bred, grass growing on a mixture of sand and pieces of plastic netting. It is installed at two courses in Hong Kong and one in the US. However, it is not claimed to be 100 per cent weatherproof.

Meanwhile, at Lambourn in Berkshire, the first rubber all-weather gallop was laid in January. Made by Weatherall, of Lincolnshire, the surface consists of a two-inch thick, carpet-like layer made of pieces of rubber stuck together, topped off with about two inches of loose rubber granules.

So, no matter what nature intended for the horse, all-weather racing on an increasing variety of materials is becoming an established part of the racing scene.

Sun Sparcs battle against the big battalions

Not content to be the fastest growing company in the most dynamic sector of the computer industry, Sun Microsystems this week unleashed a salvo of new products in its campaign to become a broad-based computer company, challenging the industry's giants.

With new products ranging from a \$6,000 (£3,500) desk-top workstation to a \$74,000 network server system, capable of meeting the computer needs of dozens of users, Sun has begun its bid to become "the next Digital Equipment" as Scott McNealy, the company's young president, likes to say.

Striding about the stage of San Francisco's Civic Auditorium, in the style of business guru Tom Peters, McNealy opened Sun's first product introduction "event" with a series of thinly veiled jibes at competitors.

Sun, he said, had no "visions" (a word often used by Apple Computer executives), no "complex strategies" (a dig at IBM, perhaps). "What we are introducing is a logical and natural evolution of computer technology."

As Sun executives unveiled product after product – six new computer systems plus several add-on hardware products – it quickly became clear that the company's ambitions go far beyond the workstation market upon which it has built its reputation.

The star of Sun's new product line is the Sparcstation 1, claimed by McNealy to be "the most powerful, full-function computer for under \$9,000." Fully configured with colour display, hard and floppy disk drives, the price is, however, more than \$15,000.

The 12.5 million instructions per second (Mips) performance of the Sparcstation outclasses high-end personal computers, but it includes a PC-like graphics interface, with icons and pull-down menus that make it as easy to use as a PC, Sun claims. "We've attempted to bridge the personal computer and workstation worlds with this computer," McNealy explained, comparing the new Sun computer to high-end PCs from Apple and IBM.

Impressive technical features of the Sparcstation include its low power consumption, about the same as a 100 watt light bulb, and its small size, about the same as a pizza box. Both are made possible by the use of highly integrated semiconductor technology that has reduced the number of chips inside the computer to fewer than 50.

Optional extras include a graphics accelerator board that enables the computer to process three-dimensional graphics at supercomputer speed (200,000 three-dimensional vectors per second), so that it should be well suited to computer-aided design and mapping applications.

Sun also demonstrated a video board that enables the computer to display full-motion video on a portion of its screen, as well as the more mundane, but important, capability of running standard PC applications, albeit at slow speed.

As it attempts to enter the PC market, however, Sun faces serious challenges.

Applications software remains a problem. Although Sun claims that 500 application programs are available to run on its Sparc workstations, the majority of these programs are designed for scientific and technical applications.

Sun acknowledges that gaps remain in its software library. It has yet to persuade leading developers of PC applications, such as Lotus and Ashton-Tate, to adapt their top-selling business programs to Sun computers.

If Sun is to mount a serious challenge to the big PC vendors it may also need to enter the retail computer channel and to spend heavily on consumer marketing.

Other products announced by Sun included two machines aimed at its stronghold in the engineering workstation market. The new Sun 330 and 370 are also based upon the company's Sparc chips and operate at 16 Mips. Prices range from \$30,000 to \$73,900. With these machines, Sun aims to challenge Digital Equipment and Hewlett-Packard workstations, as well as specialised graphics workstations offered by Silicon Graphics.

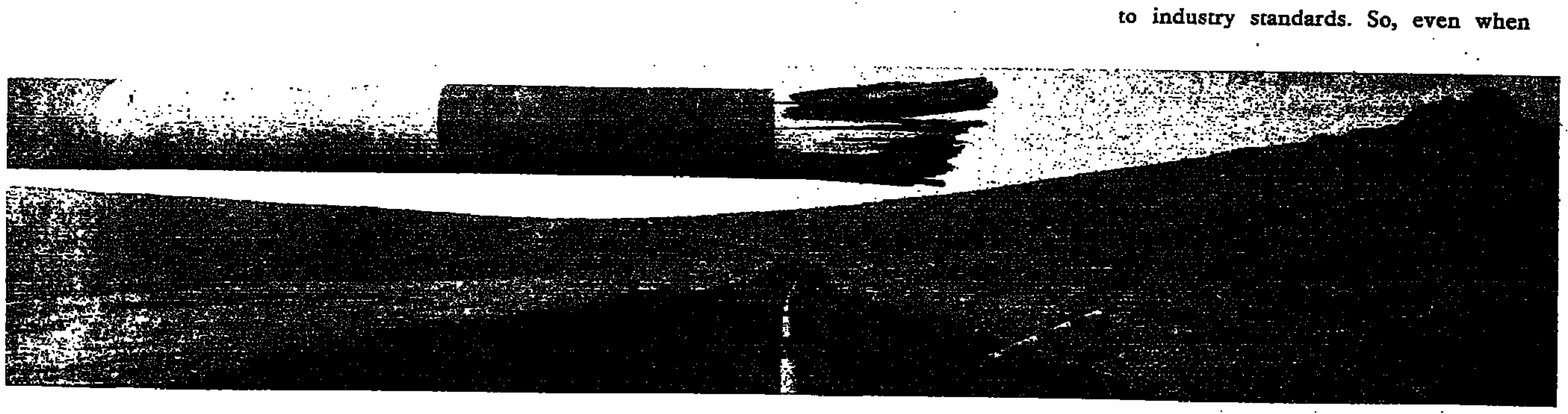
Sun also launched computers designed to provide network computer resources to small and large groups of office workers, with performance ranging up to the equivalent of super minicomputers.

Other products in the new range include a revamp of the original Sun-3 workstation line, based on Motorola's 68000 microprocessor chips. Prices range from \$5,995 for a 3 Mips desk-top machine to \$54,900 for a fully configured 8 Mips machine.

Sun's first foray beyond the workstation market, where it is the undisputed leader with close to 30 per cent of the \$4.1bn world market last year, was well received by industry analysts. And the company's demonstrations are impressive.

What remains to be seen, however, is whether Sun can master the marketing complexities of the broader computer business, while simultaneously expanding its operations to cope with growth that it is expected to take the company from 1988 revenues of \$1bn to sales approaching \$1.7bn this year.

Louise Kehoe



FT LAW REPORTS

Directors must pay for wrongful trading

RE MARKETING CONSORTIUM LTD
Chancery Division: Mr Justice Knox: March 22 1989

DIRECTORS WHO press on with their insolvent company's business in the unrealistic but not dishonest hope that it will trade out of its difficulties, may become liable to contribute to its assets in the liquidator's hands if they know, or with reasonable diligence ought to know, that insolvent liquidation is virtually inevitable.

Mr Justice Knox so held when declaring that Mr Eric Peter David and Mr Ronald William Murphy were jointly and severally liable to contribute £75,000 to the assets of Produce Marketing Consortium Ltd (PMC). The application for the declaration was made by PMC's liquidator, Mr Nigel John Halls.

Section 214 of the Insolvency Act 1986 provides: "(1) . . . the court may declare [a director] to be liable to make such contribution (if any) to the company's assets as the court thinks proper (2) . . . if (a) the company has gone into insolvent liquidation, (b) . . . [the director] knew or ought to have concluded there was no reasonable prospect that the company would avoid going into insolvent liquidation . . .

(3) The court *shall not* make a declaration . . . if . . . [the director] took every step with a view to minimising the potential loss to the company's creditors . . .

(4) . . . the facts which a director . . . ought to know or ascertain, *the conclusions which* he ought to reach and the steps which he ought to take are those which would be known or ascertained or reached or taken, by a reasonably diligent person having both — (a) the general knowledge, skill and experience that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company, and (b) the general knowledge, skill and experience that that director has."

HIS LORDSHIP said that PMC, a fruit importation agent, was incorporated on June 5 1964. From July 1981 Mr Murphy and Mr David were sole directors.

In 1980 there was no overdraft, assets exceeded liabilities, and no significant trading loss. By 1984 there was a £91,758 overdraft, and an excess of liabilities over assets of £58,592. PMC's credit facilities with its bankers, Banco Exterior SA, were secured by a debenture and by Mr David's personal guarantee for £30,000.

Trial balances of the company's ledgers were made by Mr Murphy, an experienced bookkeeper, at roughly monthly intervals. He was not an accountant but he had the time and skill to keep a close eye on the overdraft position and unpresented cheques.

There was a history of PMC's accounts being prepared well out of time. In common with many other small companies, the directors acquiesced in accountancy delays.

PMC's position had deteriorated sharply by summer 1986. The bank overdraft, agreed at £75,000, was quite frequently exceeded. Not only had Mr David's personal guarantee been left far behind, but PMC was living from hand to mouth. At July 31 1986 the PMC ledgers showed a total deficit of £167,739.

In August 1986 Mr David requested an extension of the £75,000 overdraft facility. His approach to the bank was inaccurate and over-optimistic. It achieved the desired result. The bank extended the facility until January 31 1987 on the same security as before. The limit was consistently exceeded. The bank finally lost patience and from November 19 1986 onwards it started to return cheques unpaid.

In January 1987 draft accounts for 1984/85 and 1985/86 were submitted by the auditor to the directors. They showed a grim picture. The 1984/85 turnover was down. The loss for the year was £55,817 and a prior year adjustment drove excess of liabilities over assets to £132,870. Trade creditors were £85,004 and the overdraft was £96,545. Trade creditors at September 30 1986 had risen to £143,454 and the overdraft to £118,171.

After the draft accounts were sent in the auditor phoned Mr David and voiced fears that the directors might be liable for fraudulent trading. The phone call was followed by a letter. The directors were sent copies of sections 213 [fraudulent trading] and 214 [wrongful trading] of the Insolvency Act 1986.

A cash flow projection was prepared by the auditor for presentation to the bank in support of an application for further extension of facilities. It showed anticipated receipts, supplied by the directors, which were at the top end of their expectations and were unrealistic.

In February 1987 there was an interview at the bank. The auditor accompanied the directors. Initially the bank's response was unfavourable. It had a change of heart but called for a reduction of £5,000 in facilities, coupled with two further reductions of £5,000 in April and June.

Such reductions were incompatible with the programme contained in the cash flow forecast, which did not envisage enough profit being generated during the period covered to allow a reduction of bank facilities.

Mr David said he was aware that PMC was struggling at that stage, but the company pressed on, with the tightening constraints of a reduction in bank facilities. During the 1986/87 season there was a gradual decrease in the overdraft, but that was effectively financed out of increased indebtedness to Ramona Ltd, PMC's most important shipper and its largest unsecured creditor.

In August Ramona, at its bank's insistence, instructed its London solicitors to investigate the state of trade between Ramona and PMC. On the same day the directors appreciated that PMC was in desperate straits and that there was no prospect of paying Ramona what it owed. Ramona refused to co-operate in a rescue proposal. The inevitable occurred. PMC went into creditors' voluntary liquidation on October 2 1987.

In the present proceedings the liquidator sought a declaration under section 214 of the Insolvency Act 1986, that the directors should each contribute £107,946 to PMC's assets. The issue was whether the directors "knew or ought to have concluded" that there was no reasonable prospect that PMC would avoid going into insolvent liquidation.

Under previous enactments, which related to fraudulent as opposed to wrongful trading, intent to defraud had to be established. The 1986 Act now had two separate provisions, section 213 dealing with fraudulent trading, and section 214 which dealt with what the side note called "wrongful trading".

Parliament intended to widen the scope of the legislation under which directors who traded when the company was insolvent might be required to contribute to the assets.

The requirement of intent to defraud and fraudulent purpose was not retained as essential, and with it went the need for actual dishonesty involving real moral blame. It had not been suggested that Mr David or Mr Murphy fell into that category.

Also, under subsection (4) the test to be applied by the court had become one under which the director was to be judged by the standards of what could be expected of a person fulfilling his functions and showing reasonable diligence in doing so.

The subsection (4) requirement involved functions in relation to particular company and its business. It followed that the general knowledge skill and experience postulated would be much less extensive in a small company with simple accounting procedures and equipment than it would be in large company with sophisticated procedures.

Nevertheless certain minimum standards were to be assumed to be attained. Notably there was an obligation to keep accounting records which disclosed the company's current financial position with reasonable accuracy.

PMC's accounting records were adequate for the purposes of its business, though the preparation of accounts was woefully late.

The knowledge to be imputed in testing whether directors knew or ought to have concluded there was no reasonable prospect of avoiding insolvent liquidation, was not limited to the documentary material actually available at the given time.

The directors, though they did not have the accounts in their hands until January 1987, did know that the previous trading year had been a very bad one. The turnover was badly down. Although they did not know in July 1986 the precise figure, they had a rough idea of what it was and in particular that it was well down on the previous year.

They ought to have concluded at the end of July 1986 that there was no reasonable prospect that PMC would avoid going into insolvent liquidation. They did not take every step to minimise the loss to creditors within section 214(3). They went on trading for another year.

Therefore the court's discretion arose under section 214(1). The section 214 jurisdiction was compensatory rather than penal. *Prima facie* the appropriate contribution was the amount by which the company's assets had been depleted by the directors' conduct which caused the discretion to arise. But Parliament had chosen very wide words of discretion and it would be undesirable to seek to spell out limits.

Taking account *inter alia* of the facts that this was a case of failure to appreciate what should have been clear rather than a deliberate course of wrongdoing, but that there were occasions when positive untruths were stated, and that the auditor's most solemn warning was effectively ignored, the court declared that the directors were jointly and severally liable to contribute £75,000 to the PMC assets.

For the liquidator: Mary Arden QC and Gregory Mitchell (Richards Butler).
For the directors: Paul Teverson (Steggles Palmer, Basildon).

Rachel Davies
Barrister

NOTICE OF REDEMPTION

To the Holders of

FINANCE FOR INDUSTRY INTERNATIONAL B.V.

(now 3i International B.V.)

10½ per cent. Guaranteed Notes 1990

NOTICE IS HEREBY GIVEN that the Mandatory Redemption due May 15, 1989 has been carried out by a selection by-lot of £17,200,000 nominal Notes on March 24, 1989 for redemption at par as follows:

OUTSTANDING NOTES OF £5,000 EACH BEARING THE FOLLOWING SERIAL NUMBERS:

820	1127	1396	1685	1999	2308	2592	2921	3179	3483	3779	4066	4361	4702	4994	5306	5602	5899	6206	6493	6788	7086	7400	7682	7995
821	1128	1404	1691	2000	2309	2594	2922	3181	3484	3782	4067	4370	4707	4995	5310	5605	5908	6208	6494	6791	7087	7401	7685	7996
824	1129	1407	1692	2003	2317	2596	2924	3184	3485	3788	4068	4371	4710	4997	5313	5607	5909	6209	6500	6792	7089	7403	7688	7997
825	1130	1410	1693	2006	2318	2601	2925	3192	3486	3790	4071	4372	4711	4998	5314	5608	5911	6212	6502	6793	7090	7405	7691	
827	1131	1414	1694	2011	2320	2603	2927	3195	3490	3794	4076	4375	4712	4999	5316	5609	5912	6214	6503	6794	7093	7406	7694	
833	1132	1419	1696	2012	2326	2604	2930	3196	3492	3799	4079	4379	4714	5002	5319	5612	5913	6216	6504	6796	7094	7408	7695	
834	1133	1422	1698	2013	2327	2605	2931	3197	3495	3800	4081	4381	4716	5004	5320	5615	5915	6218	6506	6798	7098	7409	7696	
835	1134	1428	1700	2015	2328	2606	2934	3199	3496	3802	4082	4383	4718	5006	5321	5616	5916	6224	6507	6799	7100	7410	7703	
843	1135	1429	1701	2018	2329	2607	2936	3201	3498	3805	4083	4384	4719	5008	5324	5617	5923	6227	6510	6800	7103	7411	7707	
848	1136	1432	1702	2024	2330	2613	2938	3204	3500	3811	4084	4387	4720	5009	5326	5618	5924	6229	6511	6804	7104	7414	7710	
850	1137	1433	1704	2027	2333	2617	2939	3205	3501	3812	4085	4389	4721	5012	5327	5619	5926	6231	6515	6805	7105	7415	7714	
851	1139	1434	1706	2029	2334	2618	2941	3208	3505	3813	4090	4390	4723	5013	5330	5620	5929	6233	6517	6806	7112	7416	7715	
852	1141	1436	1707	2030	2335	2621	2942	3210	3506	3814	4091	4391	4724	5017	5331	5622	5930	6234	6518	6807	7113	7417	7721	

Said Notes may be presented for payment to MORGAN GUARANTY TRUST COMPANY OF NEW YORK, MORGAN HOUSE, 1 ANGEL COURT, LONDON EC2R 7AE or to the other Paying Agents listed below.

Notes surrendered for redemption should have attached all unmatured coupons appurtenant thereto. Coupons due May 15, 1989 should be detached and collected in the usual manner.

Principal and interest on the Notes is payable only in pounds sterling. Payments will be made at the specified office of the Paying Agent in London or, at the option of the holder, at any specified office of any Paying Agent by sterling cheque drawn on, or transfer to a sterling account maintained by the payee with, a bank in London.

From and after May 15, 1989 interest shall cease to accrue on the Notes herein designated for redemption.

PAYING AGENTS

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2 Boulevard Royal
Luxembourg

3i INTERNATIONAL B.V.
By: *MORGAN GUARANTY TRUST COMPANY*
OF NEW YORK, ***Principal Paying Agent***

Dated: April 14, 1989

Correction Notice
Accor

Please note that in the advertisement published in the F.T. of 12/4/89, the first line of 1988 key numbers should have read as follows:
Sales volume (F million) 16,393.3 compared with 14,618.2 in 1987 (12.2%).

Paul Cheeseright profiles two development companies that specialise in space for small businesses

A new look to the old

Skillion breaks up buildings. The core of its business is to take a large amount of space and split it up into small units. Economic growth has increased the demand for this sort of space but made it difficult to provide.

The need for intensive management and the uncertainty of small covenants had made this sector a Cinderella of the property business. But rising industrial land values, increases in corporate profitability, official encouragement for small business and a growing investment interest in industrial property generally has created a new situation from which companies like Skillion can profit.

When Ric Hawley created Skillion in the 1970s, bank finance was hard to find. Not so much now. This results partly from the fact that Skillion, still a private company, has won its banking spurs, partly from the greater degree of financing sophistication. Thus Skillion can not only raise development finance but also devise packages with institutions which can be offered to buyers of the space it creates.

That is the plus side. The negative aspect is that it becomes increasingly difficult to find sites which can be split into small units. Skillion's speciality is to take buildings which have scared off or been ignored by other property companies – old factory buildings or office buildings which have found themselves on the shelf.

But industrial property is now in vogue, forcing Skillion out of London to find property for refurbishment – a derelict bottling plant in Liverpool and the former Refuge Assurance headquarters in Manchester, for example. "In London we're obliged to buy big – like 230,000 square feet in the Lea Valley - to get purchase prices down," said Mr Hawley.

If site prices become too high then this flows through into the rental prices. If the rents become too expensive then Skillion cuts itself off from the customers it has spent a decade cultivating – businesses in a relatively early stage of their life. Once Skillion moves into a building it has to hold down the costs of refurbishment. Mr Hawley claims Skillion can do this and its costs have shown little difference from the rate of inflation. General building costs have been increasing at about 15 per cent a year.

Costs can be held down by adopting a uniform approach to refurbishment. Skillion makes no apology for sameness. There are more than 20 Skillion business centres in Britain offering light industrial and basic office accommodation. In total Skillion provides accommodation to 1,500 businesses.

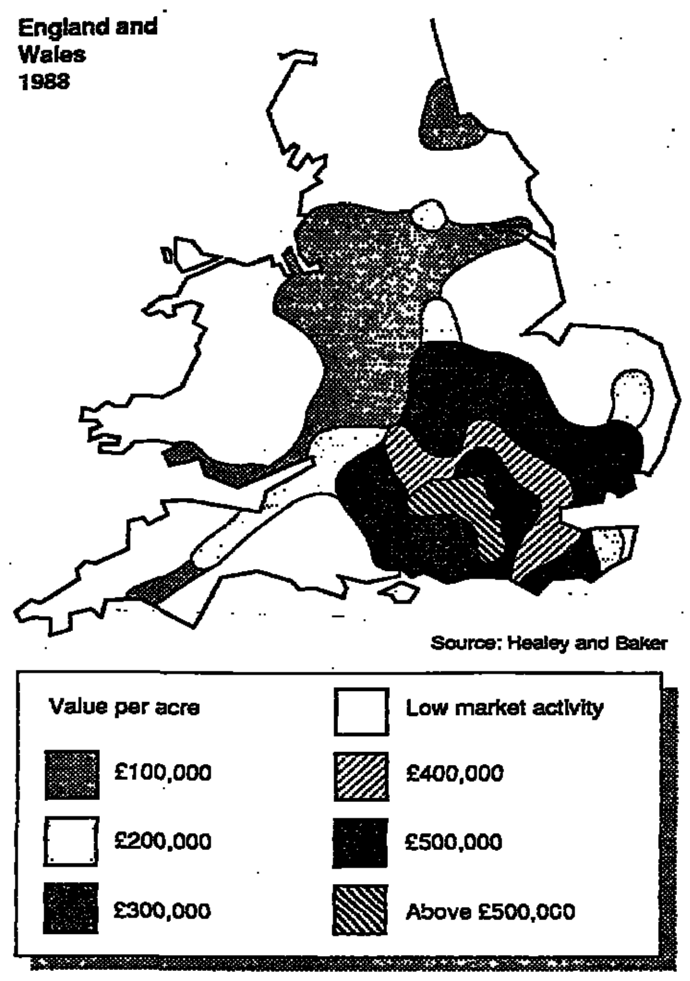
Broadly, Skillion is involved in two types of development. The first is the provision of space for rent in accommodation it manages and which forms the basis of its investment portfolio. Here it expects a return of between 15 and 18 per cent before taking the developer's profit. The second is space for sale. This is the higher risk end of the market, and here the expected return of 25 per cent on costs.

Expansion is taking Skillion further up the market and into the provision of orthodox office accommodation – the Glassmill at Battersea, a completed venture, and Middlesex House at Vauxhall, on which work is taking place, both in south-west London – and it is venturing from refurbishment projects to those involving new buildings, as in the proposed Technopark at Manchester.

Net assets at the group are now over £18m and in the year to December 1988, pretax profits more than doubled to £5.24m. Skillion has a corporate structure that would enable it to go for a stock market quotation, and that is a choice held in reserve for a day when market sentiment is more in favour of flotation.

Industrial land values

England and Wales 1988



Simplicity and speed

Metropolitan Real Property is a newcomer, a child of the industrial property boom, starting tentatively in 1984 and expanding rapidly in 1987-88.

Roger Palmano, the founder and chairman, was a chartered surveyor who realised that, with the business climate improving, there was a gathering trend for small businesses to own new premises.

What he has sought to create is a fast turnover, cash-flow business. He is interested in developing then selling, not accumulating, assets. His current programme totals 1.52m square feet in 30 schemes, none of which has a higher completed value than £6m, scattered across the country from Exeter to Ipswich to Manchester. Before this programme he had completed and sold around 300,000 square feet of space.

Mr Palmano started by providing simple industrial units, but now the office content in his units is increasing. His building specifications are getting higher. But the climate is tougher than in 1988 when, as Mr Palmano put it, "everything you could lay hands on looked good."

Higher interest rates are hurting. They make Mr Palmano look much more carefully at any sites he wants to buy because, although his finance is split up into small packages, linked to specific projects or groups of projects, it is short term.

At the same time Metropolitan Real is facing what looks like a slowdown in the market. The company has stopped pushing up prices – which it could do with relative impunity a year ago – and properties are taking just a little longer to sell.

Much of the company's land was bought when the market was still rising, so that it is sitting on sites worth more now than a year ago. But, apart from land transactions still going through, Mr Palmano is likely to stand back from making new purchases for the time being.

The key to his operation is to be quickly in and quickly out of a project, reducing the length of the company's financial exposure on any one site. As soon as a site purchase is agreed, design starts and planning applications are made – in the hope that work can start on site as soon as its purchase is completed.

Planning applications are not generally contentious. Local authorities like schemes of industrial units because they provide a basis for job creation. Indeed, at schemes in Hastings, Exeter, Abingdon, Mildenhall, Northampton, Birmingham and Manchester, land has been sold to Metropolitan Real by the local authority on condition that small business units are constructed.

The schemes themselves are kept simple. Like Skillion, Metropolitan Real has discovered the cost advantages of standardised design.

Speed is one way of holding down costs. Another way of reducing risks is to go into joint ventures. Mr Palmano said that one of Metropolitan Real's partners – in three schemes in 1988 and three this year – has been Abbey National. Unusually for a building society, it has not only provided loan finance but taken an equity stake. Other joint venturers are Tarmac and Trencherwood.

Finance has been made available by British clearing and merchant banks, underlining the enthusiasm of the banks for property lending, and in selected schemes by the Government.

Until 1987, Metropolitan Real's profits were negligible, but in the nine months to last January, it made pretax profits of £1.98m. Latterly pretax profits have been coming in at the rate of over £230,000 a month.

INTERNATIONAL PROPERTY

ART GALLERIES

EDUCATIONAL

CONTRACTS & TENDERS

ARTS

Arts Week

F	S	Su	M	Tu	W	Th
14	15	16	17	18	19	20

THEATRE

London

Fuente Ovejuna (Cottesloe). Wonderful production of Lope de Vega classic by *Cheek By Jowl* director and designer Declan Donnellan and Nick Ormerod. The best National production in this venue since the Bill Bryden company. May 3-6 (928 2252).
Bed (Cottesloe). Imaginative reverie for old codgers in pyjamas and a sleeping den as big as the Great Bed of Ware itself. The delightful and unusual proceedings are scripted by Jim Cartwright, directed by Julia Bardsley. April 14-19, April 26-May 2 (928 2252).
Hamlet (Olivier). This picturesque Renaissance revival by Richard Eyre for the National Theatre is a disappointment, though Daniel Day-Lewis may improve with experience in the role. Judi Dench is a muted Gertrude, Michael Bryant a superbly busy and dangerous Polonius. Fullish text, but no emotional or intellectual fire. May 2-8, 16-18, May 25-June 1 (928 2252).
Single Spies (Queen's). The highlight of Alan Bennett's double bill is a comic confrontation between Prunella Scales as Her Majesty the Queen and Bennett himself as Anthony Blunt in the royal picture gallery. Simon Callow plays Guy Burgess in a rehash of Bennett's film *An Englishman Abroad* (734 1166).
A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).
Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected (834 1317, cc 836 2428).
The Vortex (Garrick). Maria Aitken and Rupert Everett in brilliant reappraisal by Philip Prowse of Noel Coward's 1924 study of drug addiction and mother fixation. Mannered, excessive, beautifully costumed. A must for yuppies (379 6107, cc 741 9999).
Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379 4444).
Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).
Aspects of Love (Prince of Wales). Andrew Lloyd Webber's intimate new musical, adapted from a novel by David Garnett, opens with mixed reports from the previews. Trevor Nunn directs, Michael Ball stars opposite Kevin Colson, who has replaced Roger Moore (839 5972).
King Lear (Old Vic). Eric Porter in titanic and lyrical form in Jonathan Miller's production. Paul Rogers is Gloucester, Gemma Jones and Frances de la Tour are Goneril and Regan. The lighting has been described as either murky or a calculated sop to 17th century Tenebrist painting (928 7616, cc 261 1821).

Rotterdam

Evita the original Broadway production with Florence Lacey. Tue, Wed (two perfs). Doelen (413 2490).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).
Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).
Shirley Valentine (Booth). Pauline Collins brings her West End triumph to Broadway in Willy Russell's amusing and touching story of a Liverpool woman's awakening in the Aegean Sea. Simon Callow again directs without smoothing any of the Northern English edges that retain an authentic touch.
Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).
A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).
Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).
Phantom of the Opera (Majestic). Stuffed with Maria Björnson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Washington

Sophisticated Ladies (Kennedy Center Opera House). The first Soviet-American co-production of a Broadway musical features an energetic cast dancing and singing to a Duke Ellington score highlighted by Satin Doll and Take the A Train. Ends May 27 (254 3770).

Chicago

Speed of Darkness (Goodman). The world premiere of Steve Tesich's domestic drama involves the reunion of Vietnam veterans and the havoc it wreaks on a successful South Dakota family. Robert Falls directs.

Tokyo

Kabuki. At the National Theatre (265 7411). *Shinsarayashiki Tsuki Amagasa (O Tsuka's Death)* depicts the uneasy relations between the upper and lower classes in the late 18th century and contains a famous scene in which the leading character breaks a vow and turns back to drink.
Nastasya. Benisan Pit (546 2087). Brilliantly conceived and executed adaptation (in Japanese) of Dostoyevsky's *The Idiot*, directed by Andrzej Wajda and starring world-famous kabuki actor Tamasaburo Bando.

OPERA AND BALLET

London

Royal Opera, Covent Garden. *La clemenza di Tito*, one of the Royal Opera's most admired Mozart productions of the postwar period, returns with its original conductor, Colin Davis.
English National Opera, Coliseum. *Eugene Onegin*, an opera not previously given by the ENO at this theatre, is produced by Graham Vick and conducted by Mark Elder, with Jonathan Summers in the title role and Marie McLaughlin as Tatyana.

Paris

Opéra. Tchaikovsky's *Sleeping Beauty* comes back to the Palais Garnier in Rudolf Nureyev's choreography inspired by Petipa in Nicholas Georgiadis decor. (47425760).

Milan

Teatro alla Scala. Last performance of Giorgio Strehler's production of *Don Giovanni*, conducted by Riccardo Muti, with gloomy but impressive sets by Ezio Frigerio and costumes by Franca Squarciapino. (80.91.26).

Rome

Teatro dell'Opera. The opera's ballet company in the La Scala production of John Cranko's version of *The Taming of the Shrew*, conducted by Alberto Ventura (Fri, Sun) (46.17.55).

Reggio Emilia

Spazio Della Cavallerizza. Amedeo Amodio's Aterballetto company in his new and as yet untitled production danced to jazz composed and performed by Norwegian saxophonist Jan Garbarek, and percussionist Nana Vasconcelos (Sat).

Turin

Teatro Regio. Alberto Fassani's full-length production of Massenet's *Manon*, designed by Pier Luigi Samaritani. Fiamma Izzo d'Amico sings the title role, with Mario Bolognese (alternating with Mauro Buffoli), conducted by Reynald Giovaninetti (Sun, Tues) (548.000).

Venice

Teatro La Fenice. Emil Tchakarov conducting Purcell's *Dido And Aeneas* (arranged by Benjamin Britten).

Amsterdam

Muziektheater. Tanztheater Bochum in Callas, choreographed by Reinhild Hoffmann (Tue, premiere, and Wed). Premiere of the Netherlands Opera double bill of Ravel's *L'Heure Espagnole* and *Falla's* El Retablo de Mases Pedro directed by Helmut Polixa.(255 455).

Utrecht

Vredenburg. *Ottone*, performed by the Anne Teresa de Keersmaeker company (Mon). Gounod's *Faust* from the Utrecht Opera Choir with the Amsterdam Accompaniment Orchestra.

Vienna

Staatsoper. *Eugen Onegin* is conducted by Mark Ermler, with a cast including Gertrude Jahn, Rohangiz Yachmi and Heinz Zednik. *Der Rosenkavalier*, conducted by Peter Schneider, is sung by Lucia Popp, Trudelise Schmidt, Patricia Wise and Peter Wimberger. (51444, ext. 2660).

Brussels

Théâtre Royal de la Monnaie. *Fidelio* is produced by Adolf Dresen with the orchestra and chorus of the Monnaie conducted by Hans Zender. Janis Martin is Leonore, Josef Protschka Florestan and Roland Hermann Don Fernando (Sat, Tues).

Hamburg

Staatsoper. Harry Kupfer's wholly delightful production of *Belsazar* with Helen Donath, Walter Raffeiner, Harald Stamm and Carmen Anhorn. *Die verkaufte Braut* is a well done repertoire performance. *Cav and Pag* stars Julia Varady, Giorgio Lamberti, Piero Cappuccilli, Wladimir Aflantow, Natalia Troitskaya and Louis Quilico.

Cologne

Opera. Cologne honours the great producer Jean-Pierre Ponnelle, who died last year, by restaging the complete Mozart cycle of seven operas.

Frankfurt

Opera. *Artifact* has wonderful William Forsythe choreography. There was much applause for the opera debut of the Lievi brother's *La Clemenza di Tito* production, when it opened. The main parts are perfect sung by Anita Soldh, Keith Lewis, Marianne Roholm, Pia Marie Milsson, Gregory Yurisich and conducted by Gary Bertini. Also offered Dido and Aeneas.

Bonn

Opera. *Tannhäuser* is sung by Richard Versalle, Alfred Muff, Wolfgang Brendel, Nadine Denize, Sabine Hass and Christer Bladin. The ballets *Rhapsodie/Theseus* and *Ariadne* are both choreographed by Youri Vamos. Marco Arturo Marelli's production and sets complement wonderful singing by Yoko Watanabe and Michael Sylvester.

Munich

Staatsoper. *Aida*, conducted by Guiseppe Patane is respectable with Anna Tomowa-Sintow, Lando Bartolini, Bruna Baglioni and Guido Goetzen.

New York

Metropolitan Opera. Benjamin Britten's *Billy Budd* continues with Thomas Allen in the title role, James King as Captain Vere and Jan-Hendrik Rootering as Claggart, conducted by Thomas Fulton. Sumi sings Gilda and Leo Nucci continues in the title role of *Rigoletto*, conducted by Nello Santi

Tokyo

Classic Ballet of Spain with Maya Plisetskaya. *Paquita*, *Carmen Suite*, *Diana and Actaeon*, *Maria Stuart*. Showa Women's University Hitomi Memorial Hall, near Sangenjaya (Thurs) (265 6361).

EXHIBITIONS

London

The Whitechapel Art Gallery (in collaboration with the Fundacio Joan Miro, Barcelona). Joan Miro: Paintings and Drawings 1929-41. Until April 23 – sponsored by Citicorp/Citibank.
The Hayward Gallery. La France: Images of Women and Ideas of Celebration of France, the Revolution Revisited. The exhibition is an odd and delightful anthology of images of that sometimes seductive, sometimes daunting personification of La France, Marianne, as she has been depicted in French art over the two centuries since the Revolution, with a few antecedents thrown in. Daily until April 16: then on to the Walker Art Gallery, Liverpool, May 3 to June 11.

Paris

Grand Palais. The French Revolution in Europe. A vast exhibition organised by the Council of Europe tries to situate the French Revolution in the social and political context of Europe as a whole.
Ends June 26 (42895410).
Grand Palais. Paul Gauguin. Coming after Washington and Chicago, 250 works from all over the world form an important retrospective of the legendary *peintre maudit*, influenced at first by the impressionist Pissarro and later by Degas and Cezanne.Until April 24, closed Tue; late closing night Wed (42 96 58 30).
The Louvre. The glass pyramid, built by I.M. Pei, the Sino-American architect, has opened to the public as a dramatic entrance to one of the world's most famous museums. Erected as a medieval fortress in 1204, the Louvre later expanded into a renaissance royal palace only to be turned into a museum in revolutionary 1793.Open 9am-6pm, Mon and Wed until 9.45pm, closed Tue.
The Louvre. Les donateurs du Louvre. Aptly, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the generosity of donors throughout its existence. Entry through the Pyramid, Hall Napoleon, Niveau Accueil.
Musée Jacquemart-André. Russian historical costumes. Leningrad's Hermitage Museum has lent 200 exhibits from its treasure trove of historical costumes dating from 1700 to 1914.
158, Bld Haussmann, 12 noon-6.30pm; ends May 31.
Musée des Arts Decoratifs. The intimate world of Alexander Calder. some 300 works, most of them gifts to family and friends and, as such, exhibited for the first time, show the inventiveness and sense of humour of the sculptor. Ends May 21. Closed Mon and Tue (42603214)
Musée d'Orsay. Paul-Emile Miot's photographs from Tahiti 1869-1870 show the melancholy reality behind Gauguin's dreams of an exotic paradise. Closed Mon, ends April 23 (40494814).

Amsterdam

Stedelijk Museum. The first major retrospective of the work or Kasimir Malevich combines loans from leading Soviet galleries with the famous holdings of the host museum. Ends May 28.
Van Gogh Museum. Prints, drawings and gouaches illuminate the work of Gauguin's followers who banded together under the name Les Nabis. Ends May 28.

Brussels

Palais des Beaux-Arts. Art Deco in Europe. Tues-Sat, closed Mon. Ends May 28.
Musées Royaux d'Art et d'Histoire. Tibet – Terror and Magic, sculptures and paintings of lamaist gods on loan from the Musee Guimet, Paris. Indus: Ancient Civilisation from Pakistan (both closed Monday and end May 14)(733.9610).

Frankfurt

'Je Suis le Cahier', the sketchbooks of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, organised by the New York based Pace Gallery and sponsored by the American Express company, will have its second stop here in Frankfurt on the European tour.Ends May 28.

Berlin

Fritz Koenig. 35 sculptures worked in iron, 70 script pictures and 80 drawings by the German artist Fritz Koenig, born in 1924 are exhibited until May 1. Akademie der Künste, Hanseatenweg 10.

Cologne

Bilderstreit. Rheinhallen der Kölner Messe, Messegelände. Deutz. The two organisers Johannes Gachnang and Siegfried Gohr, present "contradictions and contrasts as the essential source for the debate about contemporary art".Ends July 2.

Vienna

The Bawag foundation, run by the Bank für Arbeit und Wirtschaft in the heart of Vienna is exhibiting works by the young Austrian painter, Kurt Welther. One of his hallmarks is his sympathetic evocation of provincialism. Ends May 6.
Museum for Applied Arts. Austria's rebellious artists of the 1960s have their oinw exhibition here entitled, Aktionsmalerie-Aktionismus, Wien 1960-1965. Ends May 15.

Rome

Accademia di Spagna. The Miros of Miró: More than 100 works by Joan Miró, including ceramics, drawings and watercolours and oils, which had been kept in the artist's studioin Majorca until his death in 1983. Until June 4.

New York

Pierpont Morgan Library.Master drawings borrowed from Holland's oldest museum, the Teyler in Haarlem, focuses on work by Michelangelo, Raphael, Golzius, Rembrandt and Guercino among 100 pieces from the 16th and 17th centuries. Ends April 30.

Washington

National Gallery of Art. Cézanne: the Early Years. Already seen at London's Royal Academy of Art and the Musée d'Orsay in Paris, the exhibition comprises 65 oils and 35 drawings showing Cézanne's proto-impressionist techniques from 1859 to 1872. Ends April 30.

Chicago

Art Institute.As part of a national tour, 67 rare ancient Greek sculptures, bronzes, and painted terracotta trace the development of the human form in art from the tenth to the fifth centuries BC. Ends May 7.

Tokyo

National Museum of Western Art. Masterpieces from the Vatican. A somewhat random selection of paintings and sculptures, chosen to demonstrate the development of western art from ancient Greece to the Renaissance as well as to present the architecture of the Vatican itself. Closed Mondays.
National Museum of Modern Art. Odilon Redon. A major retrospective featuring more than 200 paintings, prints and drawings by the great French Symbolist, attractively arranged by subject matter (monsters, angels, apparitions etc) rather than chronologically. Most of the works are from public collections in Japan or from the Ian Woodner Family Collection in New York. Closed Mondays.

NOTICE OF REDEMPTION

To the Holders of

UNITED KINGDOM

Fifteen Year 8⅞% Bonds Due 1993

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Fiscal Agency Agreement dated as of May 1, 1978 and the Terms and Conditions of the Bonds, Morgan Guaranty Trust Company of New York, as Fiscal Agent, has selected $3,918,000 principal amount of the 8⅞% Bonds due 1993, for redemption on May 1, 1989 for the mandatory Sinking Fund at 100% of the principal amount thereof plus accrued interest to the redemption date as follows:

OUTSTANDING BEARER BONDS OF $5,000 CALLED IN FULL EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

3860 14309 15698 15701 15711 15717

OUTSTANDING REGISTERED BONDS CALLED IN FULL OR PART AS STATED EACH BEARING THE FOLLOWING DISTINCTIVE NUMBERS:

Number	Principal Amount to be Redeemed	Number	Principal Amount to be Redeemed	Number	Principal Amount to be Redeemed	Number	Principal Amount to be Redeemed
4240	$25,000	12567	$30,000	12583	$ 3,000	12610	$ 2,000
4244	7,000	12569	4,000	12584	3,000	12612	1,000
12477	1,000	12571	3,000	12594	13,000	12615	25,000
12559	10,000	12572	12,000	12595	13,000	12617	2,000
12560	21,000	12576	1,000	12596	3,000	12622	1,000
12561	20,000	12577	2,000	12597	2,000	12624	1,000
12562	20,000	12578	3,000	12598	35,000	12626	1,000
12563	10,000	12579	3,000	12599	19,000	12632	6,000
12564	25,000	12580	2,000	12600	1,000	12636	2,000
12565	9,000	12581	2,000	12601	2,000	12643	1,000
12566	2,000	12582	1,000	12602	1,000	12644	3,538,000

Payment will be made on May 1, 1989 for the bearer Bonds selected for redemption upon presentation and surrender of said Bonds with coupons due November 1, 1989 and subsequent coupons attached at the main offices of the Fiscal Agent in London and Brussels and the Bank of England in London. No payment on any bearer Bond will be made at the Corporate Trust Office of the Fiscal Agent or any Paying Agent in the United States, nor, except as otherwise permitted by U.S. Treasury Regulations without adverse tax consequences, will any payment be made by transfer to an account maintained by the payee in, or by mail to an address in, the United States. Coupons due May 1, 1989 should be detached and collected in the usual manner.

Payment will be made on May 1, 1989 for the portion of the registered Bonds selected for redemption upon presentation and surrender of said Bonds at the Corporate Trust Office of the Fiscal Agent, 30 West Broadway, New York, New York 10015 or at the above-mentioned offices. The holder of a registered Bond, a portion of which has been selected for redemption, shall upon surrender thereof receive, without charge, a new Bond or Bonds, in aggregate principal amount equal to the portion thereof not selected for redemption. Payment of registered interest due May 1, 1989 will be made to the registered holders by check in the usual manner.

On and after May 1, 1989 interest shall cease to accrue on the Bonds or portions thereof herein designated for redemption.

Payments at the office of any Paying Agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the Borough of Manhattan, City and State of New York. Any payment made by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service (IRS) and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the paying agent with an executed IRS Form W-8, certifying under penalties of perjury that the payee is not a United States person or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on Internal Revenue Service Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

It is suggested that each holder consult his own tax advisor concerning his particular tax situation.

THE LORDS COMMISSIONERS OF HER MAJESTY'S TREASURY

Dated: March 31, 1989

The following Bonds each bearing the following distinctive numbers previously called for redemption have not as yet been presented for payment:

Number	Principal Amount to be Redeemed	Number	Principal Amount to be Redeemed	Number	Principal Amount to be Redeemed	Number	Principal Amount to be Redeemed
566	$ 5,000	4270	$5,000	12455	$13,000	12519	$95,000
3859	5,000	4556	5,000	12462	3,000	14250	5,000
4236	25,000	4557	5,000	12485	3,000	14826	5,000
4238	25,000	4559	5,000	12501	1,000		
4242	25,000	8167	5,000	12510	11,000		
4251	5,000	12210	17,000	12517	5,000		

هكذا من الأصل

Spanish talent

Susan Moore at the National Gallery

Still Life with Bread, Cured Ham, Cheese and Vegetables by Luis Meléndez

Goya dominates 18th and 19th century Spanish art like his famous Colossus. No other painter seems to exist save this dark brooding giant. The National Gallery's current exhibition, *Painting in Spain during the later 18th century* (until May 31; sponsored by Banco Bilbao Vizcaya), delves into his shadow to extract a small group of contemporary painters, primarily Francisco Bayeu y Subias, Goya's master and brother-in-law; Luis Meléndez; and Luis Paret y Alcázar.

Confusingly, the title of the show belies both its size and its purpose. This is not the 200-exhibit, £5-catalogue blockbuster one might expect. There are no works by Goya, Mengs or a host of lesser lights, and only 37 works in all. With the exception of Paret's two large altarpieces generously lent from an remote church in Navarre, all are of modest size.

The exhibition grew out of a scheme for a joint display in the gallery's Painting in Focus series – combining recently acquired and relatively minor canvases by Bayeu, Meléndez and Paret – but grew only as far as the space of one gallery would allow. Thus it serves as a coherent and fascinating introduction to Spanish painting in the case of Meléndez, who must rank among the greatest of all still-life painters, it is a tantalisingly brief preface.

The threads are drawn back to Corrado Giaquinto, the Neapolitan painter summoned to Spain by Ferdinand VI to decorate the newly built Royal Palace in Madrid, and to become the first director of the Royal Academy of San Fernando. He introduced to Spain an exuberant, freely painted rococo style and a luminous high palette. His influence proved enduring, even after the arrival of his successor Anton Raphael Mengs. Mengs, who along with the aged Tiepolo was brought to Madrid by Charles III, established a cool, refined neo-Classicism, the antithesis of Giaquinto's art, as the new court style.

Giaquinto's florid, highly finished oil sketch of the Birth of the Sun and the Triumph of Bacchus for a ceiling fresco in the palace hangs beside works by his pupil Antonio Gonzáles Velázquez (no relation), and his pupil Bayeu. The latter shows a chameleon-like ability to adhere to both schools, reserving a Mengsian formality, clarity and polish for finished frescoes and altarpieces while executing preliminary sketches with an instinctive, unerring and far more appealing Italianate fluency. This stylistic tension is apparent even in Goya.

Unlike Bayeu, the most successful painter in Spain at the turn of the century, both Meléndez and Paret were forced into exile and out of the mainstream of official art. Both died impoverished. Meléndez, best known as a painter of still-lives, intended to establish himself as a portrait painter: the Louvre's swagger but subtle self-portrait of the confident young artist is a revelation. Expelled from the Academy, he turned to painting miniatures and, during the last 20 years of his life, still lives, executing some 100 of which nearly half languish in store in the Prado.

Nine have been borrowed for the show, and all are breathtaking. Meléndez is a painter of surface and texture; crusty bread, gourds, fruit, nuts and workaday kitchen utensils provide him with an ample repertory. The beaten copper of a chocolate pot glows against his impenetrably dark backdrops, light slides over the smooth surface of Chinese porcelain to break on the edge of slabs of chocolate and their paper wrapping. Reflected light defines the elongated neck of a glass bottle, describing the twisted, fraying string knotted around it. His depictions of dry, cured ham, chorizo and mint, cloves of garlic, waxy cheese and a succulent, weighty cut of salmon are enough to send one rushing to the nearest tapas bar.

Paret's delightful canvases owe as much to the rococo of Watteau as to that of Giaquinto or Tiepolo. He is represented here by arguably his most famous project, the series of views of Cantabrian ports commissioned by the future Charles IV, and modelled on Vernet's series of French ports painted for Louis XV. These seven (of 12) canvases have not been seen together since 1808. The finest – views of Fuenterrabia, and of the paseo of El Arenal at Bilbao – are cunningly contrived and delicately coloured evocations of life as it might be seen under Charles III.

Paret played a part in Charles III's programme of urban improvement, designing monuments and fountains. These, and a great deal more, feature in Michael Helston's matter-of-fact and unusually useful accompanying audio-visual.

Médée

QUEEN ELIZABETH HALL

Tremendous *Médée*! Cherubini's Classical tragedy of 1797 was presented on Wednesday night in concert by the Orchestra of the Age of Enlightenment as part of the South Bank's "Revolution Revisited" series: few operas could be more appositely chosen.

In it the Classicism natural to this composer and the Romanticism already on the horizon fix an explosive encounter. At times, indeed, the work seems about to burst at the seams, while yet being contained within one of late-18th century opera's most finely contrived structures. *Médée* comes after the Terror; but often – most clearly during Medea's final cries to the Eumenides, while piccolos squeal above violent phrases of revolutionary fury – one hears its post-echo. A pre-Stravinskyan rhythmic demon courses through the score; the vocal lines of the leading character sweep from the top of the stave to the bottom and up again. This is one of the most disturbing of all operas.

Médée is not an unknown opera, but in its original form it is very little known: that is, as a French *opéra-comique*, with speech and song in carefully weighted alternation. In the Callas years, an Italian translation of the adaptation by Franz Lachner (a Schubert follower), with its anachronistic recitatives and its swingeing cuts in the original numbers, held sway. In 1984 the Buxton Festival pioneered a return to the original; next season Covent Garden intends to add the same to its repertory. Meanwhile, Wednesday's concert was a chance to introduce the original *Médée* to London, and to prove its infinite superiority over its offspring.

The chance was missed. In the matter of a part-spoken, part-sung *Médée* the verdict "case unproved" must here stand: in many respects this was a terribly disappointing performance, embarrassingly mispronounced and misaccented by most of the members of an entirely Anglo-Saxon cast. (How very strange that the "Revolution Revisited" series has failed to employ a single francophone singer!) The numbers were all brutally cut. The preparation of the orchestra and chorus seemed incomplete, and the rapport with the conductor, Gabriele Ferro, insecure - at least until Act 3, where ensemble and attack began at last to cohere and take fire.

But it was also a chance to introduce to London Elizabeth Connell's account of the title role, acclaimed in Sydney not long ago. From this point of view the occasion was a huge success. Miss Connell made her entrance from mid-auditorium, and raised the temperature from tepid to fiery with her first words. In red and gold she cut a grandly theatrical figure – and the heat of the stage was indeed felt in her whole performance. Without having mastered every spoken word (her pronunciation of "oeil" needs instant correction), the soprano showed a determination to project the spoken lines with a dramatic fervour quite unknown to her companions on the platform.

As a singer Miss Connell was thrilling: clean-lined, with a Classical breadth for "Vous voyez" and "De trouble affreux", colourful in timbre, energetic in phrasing, tireless at just those points where she could have been forgiven for flagging – *surely* she has no real need of all those snips and slashes to the text of the Act 1 and 3 finales. Alongside her Anthony Rolfe Johnson (Jason) and Lillian Watson (Dirce) were appealing but sometimes strained; Linda Finnie (Neris) was strong, a little raw, and John Hancorn (Creon) hopelessly overparted. None showed much sense of character. Mr Ferro, an admired Rossini conductor, softened the edges of the music and failed to sound its frenzy.

Max Loppert

Eugene Onegin

COLISEUM

Catherine Wilson and Marie McLaughlin

This new English National Opera production is not only good in parts, but very good in most of its parts. Yet it amounts to a Hollywoodisation of Chaikovsky's opera – broad and generally affective, sometimes vivid, hardly ever capturing dramatic truth. Its presiding spirits are presumably the conductor Mark Elder and the producer Graham Vick: the one all extrovert passion and drive, the other determined to strip away bourgeois naturalism in favour of – well, in the result, Victorian melodrama. The incidental pleasures are real enough but one had hoped for more.

Vick and his designer Sally Jacobs (whose costumes are irreproachable) have decided to set *Onegin* in a black volcanic landscape with slashes of white and lurid red. Maybe one ought to think "Ah yes, fire and ice!" but one doesn't: one thinks, "cardboard cut outs." So, apparently, do the guests at the Larin party, who keep sidling past an angry lava-outcrop without a qualm. The choral contingent of serfs emerges from the chasms in measured double-file, and retreats in the same way. On an improbable peak at the rear sits a highlit 3-D church, significant because it has absolutely nothing to do with the story. In front we get variously the Larin country estatc, which consists of sparse indoor and outdoor furniture on a single hydraulic platform, and token indications of the other venues.

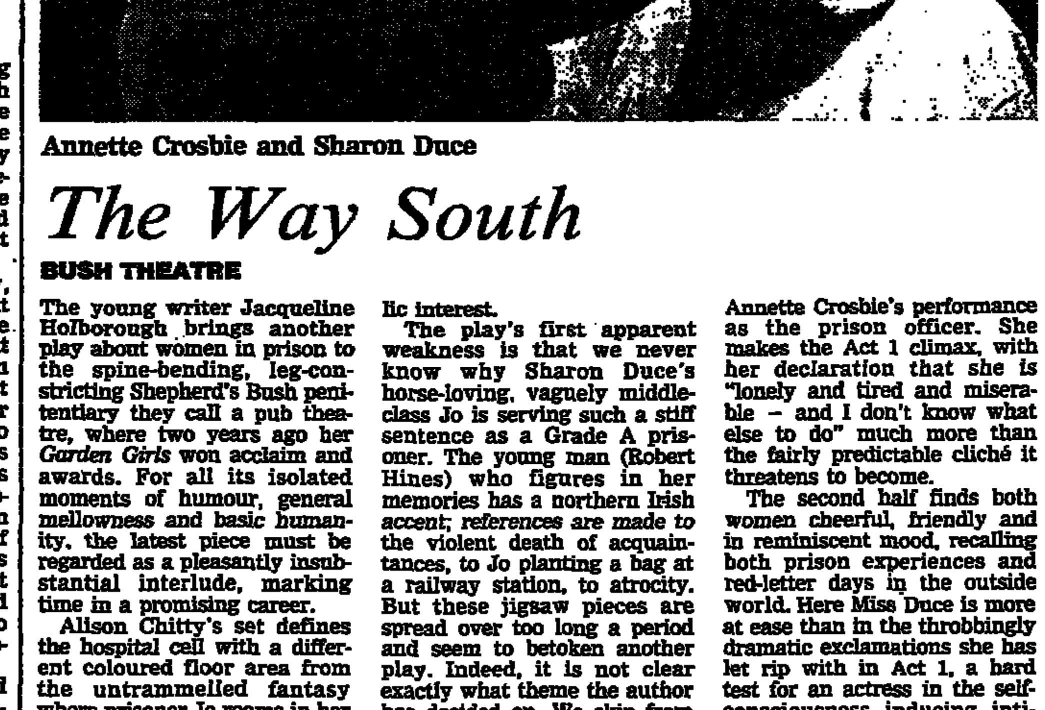
In the circumstances, it is not easy for Jonathan Summers' world-weary Onegin to react to the simple countryside and its denizens with appropriately complicated feelings. The voice is sonorous and heartfelt, the manner hectoring, the style distinctly reminiscent of Oscar Levant in a tuxedo: not uncouth, but not much like an urbanely superior aesthete. When in their final confrontation Tatyana asks him please not to "kneel," he is already spreadeagled prostrate on the floor, and thereafter he bellows all the way to the end. It remains unclear why, in Act 3, he should suddenly go in for histrionic gestures and centre-stage posing when earlier – like everybody else – he has been standing about with dangling arms, in the familiar tradition of British amateur theatre.

Marie McLaughlin's eager Tatyana, broadly stretched, scores her points loudly, with feeling but with excessively plaintive timbre. Her "letter scene" should admit of much more delicate detail, and surely will. Arthur Davies offers a most touching and attractive Lensky, and yet bawls his swan-song with the lusty self-pity of a Puccini hero – just where a slender, sad-sweet line ought to fix the character indelibly. Nor do such moments enlist Elder's best sympathy: what seems to engage him most is the big waltz in Act 2, which goes with a tremendous swing. Also the Act 3 Polonaise – but there Vick's realisation is greyly staid, as if to explain the *revenant* Eugene's glum response not by his being sadder and wiser, but merely by the fact that *everybody* is older.

Ethna Robinson's lively, nubile sister Olga fails only at the last hurdle, when she retorts to Lensky's distress, at the party, over her flirtation with Onegin that she doesn't know what he means, either she's lying or not: we *have* to know which, but she gives us too little evidence. Mama is Catherine Wilson, whose symptoms of character would ripen in a context less denuded of ordinary life. Patricia Payne's fine nurse has already had that advantage on other stages and it was disappointing here to see her reduced to a stereotype.

Tatyana's eventual husband Prince Gremin is Norman Bailey, who endows him with all the elevated sincerity one expected; bravo! Edward Byles turns M Triquet's *couplets* in pretty style, and as Lensky's stern second for the duel Richard Van Allen casts a sobering chill. From such a team, Vick might have drawn much more. It was silly, and cack-handed too, to deny them of the surrounding human detail in which they could flourish.

David Murray



Annette Crosbie and Sharon Duce

The Way South

BUSH THEATRE

The young writer Jacqueline Holborough brings another play about women in prison to the spine-bending, leg-constricting Shepherd's Bush penitentiary they call a pub theatre, where two years ago her *Garden Girls* won acclaim and awards. For all its isolated moments of humour, general mellowness and basic humanity, the latest piece must be regarded as a pleasantly insubstantial interlude, marking time in a promising career.

Alison Chitty's set defines the hospital cell with a different coloured floor area from the untrammelled fantasy where prisoner Jo roams in her memory. Her cell contains a bed, bedside locker, a chair and, depending on her state of grace with the authorities, flowers, books and a radio. These can be removed as a sign of disfavour when, for instance, she persists in a hunger strike till death – or until her application for a transfer to a softer prison down south is granted. So far, and after 13 years of incarceration, the Home Secretary maintains her move would not be in the public interest.

The play's first apparent weakness is that we never know why Sharon Duce's horse-loving, vaguely middle-class Jo is serving such a stiff sentence as a Grade A prisoner. The young man (Robert Hines) who figures in her memories has a northern Irish accent; references are made to the violent death of acquaintances, to Jo planting a bag at a railway station, to atrocity. But these jigsaw pieces are spread over too long a period and seem to betoken another play. Indeed, it is not clear exactly what theme the author has decided on. We skip from jail conditions to the put-upon humanity of prison officers, to the bitterness engendered by unemployment and the outraged pride of men when their womenfolk are the breadwinners, to the miners' strike, to comfortable liberals. But illumination amounts to no more than a glancing, sometimes light-hearted, flicker.

But if the episodic nature of the short play betrays a lack of overall shape, consistent pleasure can be drawn from Annette Crosbie's performance as the prison officer. She makes the Act 1 climax, with her declaration that she is "lonely and tired and miserable – and I don't know what else to do" much more than the fairly predictable cliché it threatens to become.

The second half finds both women cheerful, friendly and in reminiscent mood, recalling both prison experiences and red-letter days in the outside world. Here Miss Duce is more at ease than in the throbbingly dramatic exclamations she has let rip with in Act 1, a hard test for an actress in the self-consciousness inducing intimacy of the Bush. John Burgess' direction does little to makes the mood-shifts coalesce; and when Jo finally exclaims in desperation, "They can't keep you here forever – can they?" we feel that she, or at least the author, should tell *us*, since she knows more of the background than we are allowed, momentarily, to glimpse or care about.

Martin Hoyle

ARTS GUIDE

April 14-20

MUSIC

London

London Philharmonic conducted by Matthias Bamert. Berlioz; Beethoven, Offenbach, Saint-Saëns, Satie/Debussy, Chabrier, Dukas. Royal Festival Hall (Fri) (928 8800).
London Philharmonic conducted by Franz Welser-Most, with Vladimir Krainev (piano). Dvorak, Rachmaninov. Royal Festival Hall (Sat) (928 8800).
The Philharmonia conducted by Carlo Maria Giulini. Programme to be announced. Royal Festival Hall (Tue) (928 8800).
Royal Philharmonic Orchestra conducted by Claus Peter Flor, with Peter Donohoe (piano). Mozart, Beethoven, Dvorak. Royal Festival Hall (Wed) (928 8800).

Paris

Theatre de l'Athenée, Hermann Prey recital (Mon) (47426727).
London Symphony Orchestra conducted by Pierre Boulez, Brigitte Fassbaender, mezzo-soprano, Francisco Araiza, tenor: Schoenberg, Mahler Chatelet (Mon) (40282828).
Nouvel Orchestre Philharmonique conducted by Y. Prin, Claude Helffer, piano: Jarrell, Cage, Milhaud. Théâtre National de Chaillot (Mon) (42301516).
Ensemble Orchestral de Paris conducted by Jerzy Maksymiuk, Jean-Yves Thibaudet (piano). Haydn, Mendelssohn, Prokofiev. Salle Gaveau (Tue) (45632030).
Ileana Cotrubas, soprano recital. Chatelet (Tue) (40282828).
Shirley Verrett (soprano). Schumann, J. Nin, S. Barber, Verdi. Théâtre des Champs Elysees (Wed) (47203637).
Orchestre de Paris conducted by Kent Nagano, with Cho Liang Lin, (violin). Stravinsky, Mozart, Reich, Ravel (Wed, Thur) Salle-Pleyel (45630796).

Vienna

Wiener Bachsolisten conducted by Ernst Wedam. Beethoven's ninth symphony. Musikverein (Fri).
Wiener Philharmoniker conducted by Horst Stein. Schmidt: Das Buch mit den sieben Siegeln. Musikverein (Sat, Sun.).
Wiener Symphoniker conducted by Georges Prêtre. Mozart, Mahler. Musikverein (Sun).
Ensemble Kontrapunkte conducted by Peter Keuschig. Schoenberg, Holloway, Milhaud. Musikverein (Mon).
Wiener Kammerphilharmonie conducted by Claudius Traunfellner. Purcell, Milhaud, Elgar.
Wiener Sinfonisches Kammerorchester conducted by Anton Grabmayer. (Thur).

Brussels

The Monnaie Orchestra and Chorus conducted by Hans Zender with Roland Hermann (bass) performing works by Varese, Messiaen and Zender. Palais des Beaux Arts (Fri).
Ileana Cotrubas (soprano) in concert. Théâtre Royal de la Monnaie (Sun).
Alfred Brendel (piano) playing works of Brahms, Beethoven, Liszt and Mozart. Palais des Beaux Arts (Wed).
Nankin Ensemble performs traditional Chinese dance and music. Palais des Beaux Arts (Thurs).

Frankfurt

Lazar Berman piano recital. Brahms, Prokofiev. Alte Oper (Sun).

Berlin

Berlin Philharmonic Orchestra, Choeur de l'Orchestre de Paris and singers Waltraud Meier, David Rendall, John Tomlinson, Philippe Rouillon, conducted by Daniel Barenboim. Berlioz' *La Damnation de Faust.* Philharmonie (Sun, Mon).

Amsterdam

Royal Concertgebouw Orchestra conducted by Charles Dutoit, with Ronald Brautigam (piano). Bernstein, Stravinsky, De Falla (Sat).
Amsterdam Baroque Orchestra under Ton Koopman, with Wilbert Hazelzet (traverso). Haydn, Mozart (Tue).
Royal Concertgebouw Orchestra conducted by Riccardo Chailly, with Krystian Zimerman (piano). Wagenaar, Stravinsky, Beethoven (Wed to Fri). Concertgebouw (718 345).

Utrecht

Hague Philharmonic conducted by Alain Lombard, with the Netherlands Chamber Choir and soloists. Verdi's Requiem (Fri).
Radio Chamber Orchestra conducted by Antoni Ros-Marba, with Theo Bruins (piano) and Vera Betha (violin). Arriaga, Berg, Haydn (Sat).
Netherlands Wind Ensemble conducted by Edo de Waart, with Leo van Oostrom (saxophone). Andriessen, Hamburg, Van Keulen (Sun matinee, and Mon).
Radio Symphony Orchestra with Han de Vries (oboe), Gaetano Delogu conducting. Beethoven, Kalliwoda, Schumann (Sun).
Amsterdam Baroque Orchestra under Ton Koopman, with Wilert Hazelzet (traverso). Haydn, Mozart (Thur). Vredenburg (31 45 44).

Rotterdam

Amsterdam Baroque Orchestra under Ton Koopman, with Wilbert Hazelzet (traverso). Haydn, Mozart (Wed)

Rome

Le Notte Bianche by Mannino sung by Silvia Ranalli and Renato Bruson, with Marcello Mastroianni and Anne Maria Guarnieri speaking the recitative, and pianist Garrick Ohlsson.Auditorium in Via Della Conciliazione (Fri) (6541044).
Barry Tuckwell, horn, and Keiko Suzuki, piano, playing Beethoven, Schumann, Koechlin, Saint-Saens and Hindemith.Teatro Chione, Via Delle Fornaci 37 (Thur) 63.72.294.

New York

New York Philomusica conducted by Robert Johnson. Haydn, Hindemith, Jacob Druckman, Saint-Saens, Schubert. Merkin Hall (Mon) (362 879).
National Orchestral Associates conducted by Jorge Mester with David Shifrin, clarinet. A programme of world premieres by Christopher James, Brian Fennelly, Martin Herman, Todd Bennett Levin. Carnegie Hall (Tue) (247 7800).
New York Philharmonic conducted by Gunther Herbig with Alicia de Larrocha, piano. Haydn, Mozart, Tchaikovsky. Avery Fisher Hall (Tue) (874 6770).
Philharmonia Virtuosi conducted by Richard Kapp with the Taghkanic Chorale. Mendelssohn programme. Town Hall (Tue). (842 1818).

Washington

National Symphony Orchestra conducted by Pinchas Zukerman. Mozart, Vivaldi. Kennedy Center Concert Hall (Tue) (254 3776)
National Symphony Orchestra conducted by Mstislav Rostropovich with Hakan Hagegard (baritone). Mendelssohn, Mahler, Sibelius. Kennedy Center Concert Hall (Thur) (254 3776).

Chicago

Chicago Symphony Orchestra conducted by Michael Tilson Thomas with Emanuel Ax (piano). Ives, Brahms. Orchestra Hall (Tue) (435 0012).
St Louis Symphony Orchestra conducted by Leonard Slatkin. Haydn, Ginastera, Copland. Orchestra Hall (Wed) (435 0012).
Chicago Symphony Orchestra conducted by Neeme Jarvi with James Galway (flute). Schubert, Corigliano. Orchestra Hall (Tue) (435 0012).

Tokyo

NHK Symphony Orchestra, conducted by Kazufumi Yamashita. Takemitsu, Beethoven, Stravinsky. NHK Hall, Shibuya (Wed, Thurs) (465 1781).
Tokyo Philharmonic Orchestra, Eva Lind (soprano) with the conducted by Miguel Gomez-Martinez. Rossini, Donizetti, Verdi, Bellini, Mayerbeer. Suntory Hall. (Thurs) (505 1010).
Ustad Amjad Ali Khan (sarod), Suntory Hall (Mon, Wed) (580 0031).
Maurizio Pollini (piano). Beethoven, Brahms, Schoenberg, Stockhausen. Tokyo Bunka Kaikan. (Wed) (289 9999).

SALEROOM

Fruit and veg record

An elaborately illustrated description of the cities of the world, produced in Cologne around 1600, sold for £51,700 at Sotheby's yesterday. The price was at the very bottom of the estimate. *Civitates Orbis Terrarum* by Georg Braun and Frans Hogenberg, is in six volumes and has 355 plates, coloured throughout in a contemporary hand, heightened with gold.

All told the morning session of a Sotheby's auction of Natural History, Maps and Travel totalled £826,771 with less than 4 per cent unsold. Joannes Kip's *Nouveau Théâtre de la Grand Bretagne*, with over 260 plates and 40 maps, sold for £42,900 as against a top estimate of £12,000. It is a celebration of the English country house during the Augustan Age (published in 1714) and includes the rare Sadler plate of Hatfield House.

The Dutch edition of Weinmann's *Phytanthoza iconographia*, with over a thousand plates, did well at £33,000, selling to the London dealers Graham and Oxley. It is the first botanical work with colour printed mezzotints, and has been described "Of flowers, fruits and vegetables, a most compete and interesting record of the plants cultivated early in the 18th century."

Valk's Atlas of the World, of the early 18th century, with 508 maps, made the same sum, while Piranesi's *Views of Rome*, a contemporary Roman edition of the early 1750s with 73 plates, realised £19,800.

Bonhams had one of its best ever furniture sales yesterday, with a total of £347,270. Top price was the £49,500 paid by the dealer Carlton Hobbs for a pair of George I mirrors, measuring 85 inches by 45 inches. A Flemish cabinet on a stand, made around 1650, also did well at £20,900.

The left over stock of fine wine from the Mirabelle, one of London's most expensive and celebrated restaurants, which closed last summer, come under the hammer at Christie's on April 20. Over 40,000 bottles are being disposed of, including a bottle of Chateau Lafite 1899, which is expected to make over £750. There are two bottles of Mouton Rothschild, 1905, estimated at over £200 a bottle, but there are also wines estimated at £60 a dozen.

Christie's South Kensington has a record price for a photographic sale yesterday when Garfinkle, a New York dealer, paid £495,000 for a rare album of 87 photographs of Jerusalem taken by James Graham between 1853-57. The top estimate had been £10,000.

Antony Thorncroft

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No fortress in EC banking

THE EUROPEAN Commission's decision last year to incorporate a reciprocity clause in the Second Banking Directive did much to encourage fears of "Fortress Europe" in both the United States and Japan. Reciprocity is, after all, a vague concept which can readily be transformed into a big protectionist stick. So much the better, then, that the Commission has decided to narrow the scope of the reciprocity provisions of the directive along the lines recently foreshadowed by Sir Leon Brittan, the new Commissioner for competition and financial institutions.

The fear of the Americans in particular has been that the European Community would seek to deny access to banks from countries that failed to offer equivalent access and opportunities in their own home market – an approach known as equivalent treatment or mirror-image reciprocity. Since Europe has a universal banking tradition while the US and Japan still impose a legal dividing line between banking and securities operations, this would have been a recipe for friction. The Americans and Japanese could hardly be expected to adapt their own domestic systems to suit the demands of foreign governments; and the US has argued strongly for an approach based on national treatment, whereby foreign firms are granted the same competitive opportunities as domestic firms.

Bargaining lever

Under the new dispensation the Commission will continue to seek to use equivalent access as a bargaining lever. But a banking licence might be refused where Community banks are denied the same treatment and competitive opportunities as domestic banks in foreign markets. This move towards national treatment is consistent with the thrust of the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) and of US policy. But it is unlikely to reassure the Japanese, who rightly suspect that they are the real target of the Commission's efforts.

In practice, the impact may not be Draconian initially, because most of the leading Japanese banks with international aspirations are already authorised in the Community. So-called "grandfathering" provisions exist to protect firms already authorised from being obliged to go through a second round of vetting under a different set of rules.

That said, national treatment is almost as vague a concept as reciprocity itself. How do you measure relative degrees of market access when the structure of European and Japanese financial markets is so different? The meaning of national treatment will, in practice, have to be worked out within the agreement on services to be negotiated in the Uruguay Round.

Practical politics

At present, both Britain and the US have moved increasingly towards a form of managed trade in financial services. Under the threat of reciprocity the Japanese have made concessions in various profitable corners of their financial markets in exchange for a much larger presence in banking and securities in the US and Europe. Even those who regard that situation as unduly favourable to the Japanese would presumably accept that it constitutes practical politics when Japan is providing substantial financing for the US trade deficit. And as far as Britain is concerned, the City of London's competitive advantage in international finance would clearly be eroded if banks from the world's biggest creditor country were not amply represented in the Square Mile.

An ironic feature of the present situation is that US and European pressure for liberalisation in the Japanese financial system is eroding the benefit to US and European firms of access to hitherto protected niches of the Japanese markets. In fact the foreign share of Japanese bank profits has been falling because of the disappearance of products that depended on capital controls and other financial regulations. Against that background a more flexible approach in the Commission's exercise of reciprocity should be seen as the lesser of two evils and no less welcome for that.

The UK's role in electronics

THE UK has done well in attracting inward investment from the world's leading electronics companies; the semiconductor plant planned by Fujitsu of Japan for the north east of England is the latest example. The UK's record is much less good in fostering new, home-grown electronics companies capable of competing in world markets.

In Scotland, for example, it had been thought that the concentration of electronics plants, many of them foreign-owned, would create a cluster of expertise of the sort which has proved so productive in encouraging new entrepreneurs in California's Silicon Valley. But hopes that Silicon Glen would develop a similar "critical mass" in electronics have been dealt a setback by the deepening troubles of Rodime, once a showpiece of local entrepreneurship.

Set up in 1980, Rodime made its name by designing innovative Winchester disk drives for the nascent personal computer industry. In its early pioneering phase, Rodime may have benefited from its location in Glenrothes, close to a plentiful supply of high-quality engineers. Its engineering excellence allowed it to become the main supplier of drives to Apple, the US computer manufacturer. However, as the industry matured and competition grew, Silicon Glen became more of a handicap than a blessing. None of the major customers for disk drives is based in the UK, and few are located elsewhere in Europe. The successful suppliers of disk drives had intimate relationships with the personal computer makers. They were therefore able to spot trends and develop new products to dovetail with the computer makers' plans.

Disadvantages

Rodime suffered from other disadvantages. While most other disk drive makers were shifting manufacturing to factories in Singapore, Rodime was stuck with Scotland's higher labour costs. In 1983 the company began to move manufacturing, marketing and later management to Florida, close to IBM's personal computer headquarters. The company also started building a Singapore plant in 1986. The damage, however, had already been done. Rodime lost Apple as a customer and had to scrap its older products at the cost of millions of pounds.

Disk drive manufacturing is, of course, an unusually cut-throat business, and there has been a heavy casualty rate even among US suppliers. For that reason, it would be wrong to read into Rodime's problems too many gloomy conclusions about Britain's chances of creating successful start-up companies in high-technology. However, the story does point to other lessons.

Misconceived

One is that visions of Silicon Glen as a particularly fertile breeding-ground for such companies are probably misconceived. The region has been unusually successful in attracting investments by many international electronics companies, partly because of generous subsidies and partly because of a good supply of skilled labour.

However, most of these investments are in branch plants, which make products designed elsewhere. They therefore offer little opportunity for the aspiring local entrepreneur to get involved at an early stage of new product development. Equally important, Silicon Glen lacks the intense concentration of university and government research establishments which played a vital role in the early development of American high-technology centres such as Silicon Valley and Boston's Route 128.

Foreign-owned companies which have large electronics plants in the UK, such as IBM and increasingly the Japanese, are building up a network of suppliers some of whom may be able to use these relationships as the basis for creating world-scale businesses. But the design innovators like Rodime aspire to more than a subcontractor's role. The main lesson of the Rodime story is not that young high-technology companies cannot succeed in the UK, but that, if they are to do so, they need to aim for the world market from day one: their prosperity depends on staying in close touch with their customers – wherever they may be.

David Marsh looks at yesterday's cabinet reshuffle in West Germany

Mr Theo Waigel (left) and Chancellor Helmut Kohl: striking a path to greater Government cohesion

Companions for the march to 1990

Chancellor Helmut Kohl's cabinet reshuffle yesterday exposed both the strengths and the weaknesses of West Germany's open system of parliamentary democracy. Bonn is a political capital where news and rumour flow freely. It is also a place where government authority is very difficult to sustain once it starts to slide.

After enduring a seemingly endless four weeks of quarrelling and speculation over new figures in his centre-Right coalition, Mr Kohl strode before 350 journalists at a midday press conference and announced a set of cabinet changes which had already been extensively leaked in TV news bulletins the previous evening.

The reshuffle may have lacked surprise, but it adds up to a milestone in his 6½-year Chancellorship. It is also a gamble. If the move fails to boost the flagging fortunes of his Christian Democrat (CDU)-led Government, Mr Kohl may find, within the next few months, that adversarial voices within the CDU grow progressively louder – and the search for a new Chancellor will start in earnest.

Yesterday, Mr Kohl was trying, as ever, to put on a brave face. He claimed the juggling exercise was one of the most important in the Federal Republic's 40-year history. But the opposition Social Democratic Party (SPD) – mainly because of the Government's own mistakes – is riding high in the opinion polls. And, within his own party, the enemies whom Mr Kohl has made during his 16 years as chairman are starting to talk more boldly of a bid to unseat him.

In changing three of his four most senior ministers, bringing an extra woman into the cabinet and revamping the job of government spokesman, Mr Kohl aims to do more than simply gain a breathing space after a string of regional election setbacks. With the finance, defence and interior portfolios changing hands, the only top minister to keep his place is Mr Hans-Dietrich Genscher, the Free Democrat (FDP) Foreign Minister, whose job is still seen as untouchable.

The Chancellor hopes that the reshuffle – together with an important policy statement to the Bundestag billed for April 27 – will revive his personal standing and carry the coalition through to the next general election in December 1990. He also wants to deliver an image of greater decisiveness to the outside world. His coalition has managed to push through a series of important economic and social measures over the past two years in areas like tax, pensions and health care. But wrangling between the CDU and the two other government partners, the Bavarian conservative Christian Social Union (CSU), and the liberal FDP, has undermined Government cohesion.

Mr Kohl's trump card, as he underlined yesterday, is the strong performance of the economy. Companies throughout the Federal Republic report full order books and strong profits. The Government is now saying that economic growth in 1989 will be above its cautious forecast of 2.5 per cent after the better than expected 3.4 per cent last year.

Economic performance, even more than in other European countries, traditionally decides elections in West Germany. Mr Kohl's chances of hanging on to power in December 1990 depend on a steady continuation of the world economic upswing.

However, the Chancellor sees present challenges coming from a different direction. Partly because West Germany is a prosperous and materially-sated society, the Government is under fire over social and strategic questions which have little to do with the economy – and where the search for solutions is increasingly complex.

It is, for instance, racking its brains over how to respond to 42 jailed terrorists from the Red Army Faction (RAF) who are on hunger strike to try to force the authorities to group them together as political prisoners. On Wednesday sympathisers launched a Molotov cocktail attack on the Frankfurt stock exchange and also bombed an industrial building in Münster. Different federal states and different elements of the Bonn coalition favour different ways of dealing with the hunger-strikers and Mr Kohl made it clear yesterday that it was a near-impossible task.

On some prime international issues, Mr Kohl badly needs to present a united coalition in meetings in the next two weeks with President François Mitterrand of France and Mrs Margaret Thatcher, the British Prime Minister. These talks, centering on East-West relations and the development of the European Community, are part of the run-up to the Nato summit meeting in May, where Bonn will come under renewed pressure from London and Washington to take a tough line over arms control with the Warsaw Pact.

At least the Chancellor now has a new "strong man" in his line-up – the entry as Finance Minister of Mr Theo Waigel, the chairman of the CSU. Mr Waigel, successor as CSU chief to Mr Franz Josef Strauss, who died last October, is very much an unknown quantity to financial markets. He will give the cabinet a more conservative look at the time when the Government is making an effort to capture votes lost over the past 12 months to extremist right-wing parties such as the Republicans.

Mr Gerhard Stoltenberg, Finance Minister for 6½ years, will take over a particularly thankless post at the Defence Ministry. Mr Rupert Scholz, the hapless constitutional lawyer brought in as Defence Minister in May last year, has been unceremoniously removed. He goes down in the record books as the shortest-serving of the Federal Republic's nine Defence Ministers.

Mr Scholz took news of his removal badly. The Berlin professor has become unpopular because of general opposition to Nato low-flying exercises, defence spending and military service. He seems to have become victim of a growing streak of pacifism running through West German politics, heavily fanned by the SPD and the Greens ecology party.

Mr Kohl was disappointed that Mr Scholz decided to court unpopularity from three different sources at once – the media, parliament and his own generals. "You cannot fight a war on three fronts," said one official yesterday. Another aide close to Mr Kohl however said yesterday that Mr Scholz was shunted aside because he suffered from a mixture of "political naïveté and arrogance."

Mr Wolfgang Schäuble, who served as Mr Kohl's right-hand man as Chancellery Minister, will take over another taxing job as Interior Minister. In particular, the Interior Ministry has to cope with the influx of immigrants from the Third World and Eastern Europe whose presence has boosted the electoral showing of the xenophobic ultra-Right. Mr Schäuble, one of the most intelligent and able of Mr Kohl's circle of advisers, replaces Mr Friedrich Zimmermann, from the CSU – said to have shown insufficient interest in his job recently. During the period early this month of maximum reshuffle fever, Mr Zimmermann distinguished himself by being absent hunting big game in Namibia.

Mr Kohl has also upgraded the job of government spokesman. The present incumbent, Mr Friedhelm Ost, a loyal but uncharismatic propagator of Mr Kohl's policies, will make way for Mr Hans Klein, a former journalist who until now has been Bonn's Development Minister. Mr Klein will retain ministerial rank and sit in the cabinet.

This appointment is itself a minor landmark. Because of memories of Joseph Goebbels' Propaganda Ministry during the Third Reich, successive Bonn governments in the past have avoided creating a post of Information Minister. Mr Klein is also from Mr Waigel's CSU. This will add conservative punch to presentation of the Government line. But it will not be to the liking of the Free Democrats.

One of Mr Kohl's dilemmas is that if he strengthens his Government on the Right, he increases the chance that elements in the FDP will start talking about a possible coalition with the Social Democrats in 1991.

Advancing Mr Waigel to ministerial rank will bind the CSU more closely to Government decisions. Mr Kohl has struck up a close personal relationship with Mr Waigel and values him as a political partner. Mr Strauss, by contrast, played a maverick role in disrupting Government decision-making by deciding to remain in Munich as Bavarian Prime Minister rather than joining the cabinet as Defence or Finance Minister in 1987.

But Mr Waigel will also complicate matters. He will have greater power to lobby for specific Bavarian policies. To take one important example, Mr Kohl announced yesterday that, with the French Government, Bonn will study plans to step up co-operation in reprocessing spent nuclear fuel at the French nuclear treatment plant at La Hague in Normandy. Mr Kohl will have initial discussions on this with Mr Mitterrand in Paris next week.

Such a plan would involve abandoning, or at least drastically modifying, the politically controversial venture to build West Germany's own commercial reprocessing plant at Wackersdorf in eastern Bavaria – a project dear to the hearts of the CSU.

The CSU has also spoken out against the Government's 10 per cent withholding tax on savings and investments, brought in to help finance Mr Stoltenberg's cuts in income taxes taking effect next year. The withholding tax, blamed for driving capital abroad and weakening the D-Mark, looks likely to be modified, but not abandoned altogether, under plans to be discussed by Mr Waigel and his new Finance Ministry team.

Meanwhile, the SPD has been enjoying signs of disarray. Mr Hans-Jochen Vogel, the SPD chairman, has basked in unusual media attention on separate trips to Washington and Moscow this month to see Presidents George Bush and Mikhail Gorbachev.

Neither the CDU nor the SPD can take comfort from signs of fragmentation in West German voting, greatly increasing the pull of fringe parties. But the pressure is clearly on Mr Kohl rather than the SPD.

The next test comes in only 10 weeks' time, in the European Parliament elections. The far-Right is mounting a country-wide campaign and hopes to improve further on its results in the Berlin and Frankfurt elections earlier this year. If yesterday's moves fail to stop the rot and the Christian Democrats again do badly, the Chancellor will take the blame.

Mr Kohl has great self-confidence and appears to relish a struggle. But he has none of the personal appeal and authority which marked previous Chancellors, such as Konrad Adenauer, Willy Brandt and Helmut Schmidt.

The main weakness of yesterday's reshuffle is that it left Mr Kohl's two main rivals – Mr Lothar Späth, the Prime Minister of Baden Wuerttemberg, and Mr Heiner Geissler, the party's general secretary – outside the cabinet. Arch Kohl opponents such as Mr Kurt Biedenkopf, the former CDU general secretary, are also waiting in the wings.

Mr Geissler, a previous close confidant of Mr Kohl who now wants to take the party further towards the Left than the Chancellor would like, flatly turned down Mr Kohl's invitation to join the cabinet as Interior Minister. Mr Geissler has built up a strong party apparatus. He could be relied upon to help Mr Späth – the only top CDU politician to have emerged unscathed by election losses in the past two years – if the Baden Württemberg leader decided to make a bid for power within the Christian Democrats later this year.

Although the Chancellor claims he does not follow opinion polls, his image has not been improved by a survey at the end of last month indicating that 64 per cent of the electorate wanted him to stand down. Nearly half of those polled said they favoured his displacement by Mr Späth, who has built his popularity on canny economic management in his prosperous state – as well as his avoidance so far of ministerial responsibility in Bonn.

For the moment, the Chancellor is battling on. He brushes aside with contempt any question of a threat from Mr Späth or anyone else. However, beneath the tan brought by the Chancellor's Easter holiday in Austria, the tension clearly showed in his face at yesterday's press conference. A normally buoyant Kohl aide went so far as to admit: "If the Chancellor thought things were so wonderful, he wouldn't have changed everyone."

OBSERVER

Too much of a good thing

■ All is not well in the bosom of Swiss banking. The past weeks have seen a succession of demonstrations and running street battles in Zurich between disaffected young Zuerchers and baton-wielding police.

Bewildered bankers strolling in Platzspitz, the pretty park at the junction of the Limmat and Sihl rivers which has become one of Europe's junky ghettos, have been caught in the crossfire of rubber bullets and bottles.

Such un-Swiss hapennings hardly fit the conventional picture of Zurich as one of Europe's most prosperous and peaceful cities. So what is going on?

Like so much else in Switzerland, the answer is not obvious. The triple blight of unemployment, poverty and racial tension which disfigures so many other European cities is absent in Zurich.

Unemployment is virtually non-existent. Last year's jobless rate in canton Zurich was 0.4 per cent - below even the negligible national average. Zurich is the European city with the highest personal purchasing power.

There appear to be two explanations for the troubles. The first is the soaring price of housing. As Switzerland's biggest city, Zurich has long acted as a magnet for the rest of the country. Its importance as a commercial centre has also meant that more and more town property has been converted to business premises.

This, together with the fact that housing construction in Zurich was last year at a 53-year low, has sent prices spiralling. Land prices have trebled over the past decade, rising more than fivefold in some districts to well above the 1987 average of more than £110 per sq ft.

Rents are exhorbitant even for the highly-paid Swiss, if flats can be found at all.

The second reason is one of disaffected youth, not by having too little but too much. Caught in the affluence trap they seem to feel there is too little to fight against.

The country is run by an entrenched "grand coalition" of the four biggest parties with virtually no real parliamentary opposition. And although most Swiss - and this includes the vast majority of the young - are happy enough with their lot, the frustrations of living in a clockwork state for a vocal minority is apparently too much to bear. So they resort to "action', poor things.

Down Under up

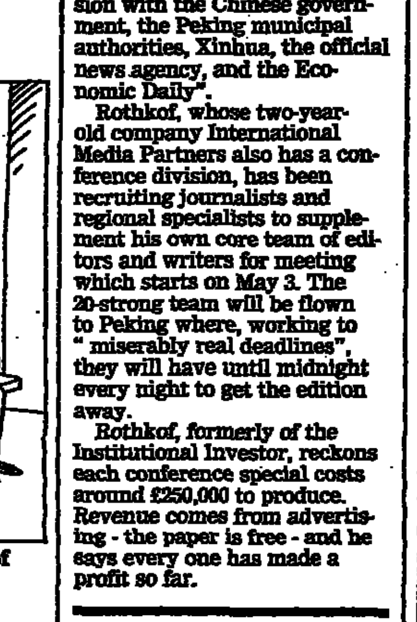
■ Bollinger champagne, one of the last bastilles of French protectionism, has acknowledged that it is, after all, just an amber nectar.

The Champagne house yesterday gave an effervescent fillip to wine expertise Down Under by awarding its first and coveted Madame Bollinger Medal for excellence in wine tasting to an Australian.

Michael Hill Smith, a Master of Wine and author of such classics as 'The Great Australian Wine Book', carried off the prize. Christian Bizot, president of Bollinger, told the Sydney-born winner: "Considering all the wine knowledge and expertise being accumulated in Australia, the world will soon turn around and you in Australia will be able to look down on our part of the world, which will then become Down Under."

Peking daily

■ David Rothkof and his team will travel from their New York headquarters to Peking next week to make a small piece of publishing history. Rothkof will be producing,



"I got done for contempt of court".

with the cooperation of the Chinese authorities, a daily newspaper for delegates to the Asian Development Bank's annual meeting.

Ten thousand copies of the daily will roll off the presses on each of the four days of the ADB meeting and then be whisked by special vans to hotels, embassies and offices around the capital so that delegates and other interested parties can read all about it over breakfast.

Rothkof's travelling newspaper show in Peking follows similar and apparently successful efforts at the Inter-American Development Bank meeting in Amsterdam two weeks ago and the IMF/World Bank meeting in Berlin last september.

The newspapers, which contain a mixture of news about each meeting and relevant world events, will be edited on desk-top Apple computers and printed on the presses of the People's Daily, the Chinese Communist party newspaper.

"This is easily the most complicated project we've been involved in", Rothkof said yesterday. "We've had long discussion with the Chinese government, the Peking municipal authorities, Xinhua, the official news agency, and the Economic Daily".

Rothkof, whose two-year-old company International Media Partners also has a conference division, has been recruiting journalists and regional specialists to supplement his own core team of editors and writers for meeting which starts on May 3. The 20-strong team will be flown to Peking where, working to "miserably real deadlines", they will have until midnight every night to get the edition away.

Rothkof, formerly of the Institutional Investor, reckons each conference special costs around £250,000 to produce. Revenue comes from advertising - the paper is free - and he says every one has made a profit so far.

Foul car

■ Paul Smith of Erskine Office Systems has come up with the dastardly idea of The Punishment Car for employees who treat their company vehicles badly.

The torture works like this: every month one offender in his Hertfordshire-based Advance Systems Group is forced to swap his/her company car for a white Lada estate which costs the princely sum of £3,500 and stalls in the fast lane of the M3 motorway at 70 mph. No offence intended to Lada, he insists.

The first unlucky winner, a senior salesman, handed in his nifty Renault 21 TS last Friday and drove off cheered and clapped by the entire company. Smith reckons it will take him 18 months to reform the 200 company car drivers in his group and bring his repair and insurance bills under control.

Meanwhile Smith might consider swapping his BMW 520 for an armoured car.

Alain Cass

POLITICS TODAY

An act that the critics can't spoil

By Joe Rogaly

At the end of the first quarter of 1989 the British Government is not quite so cocksure as it was at the end of 1988.

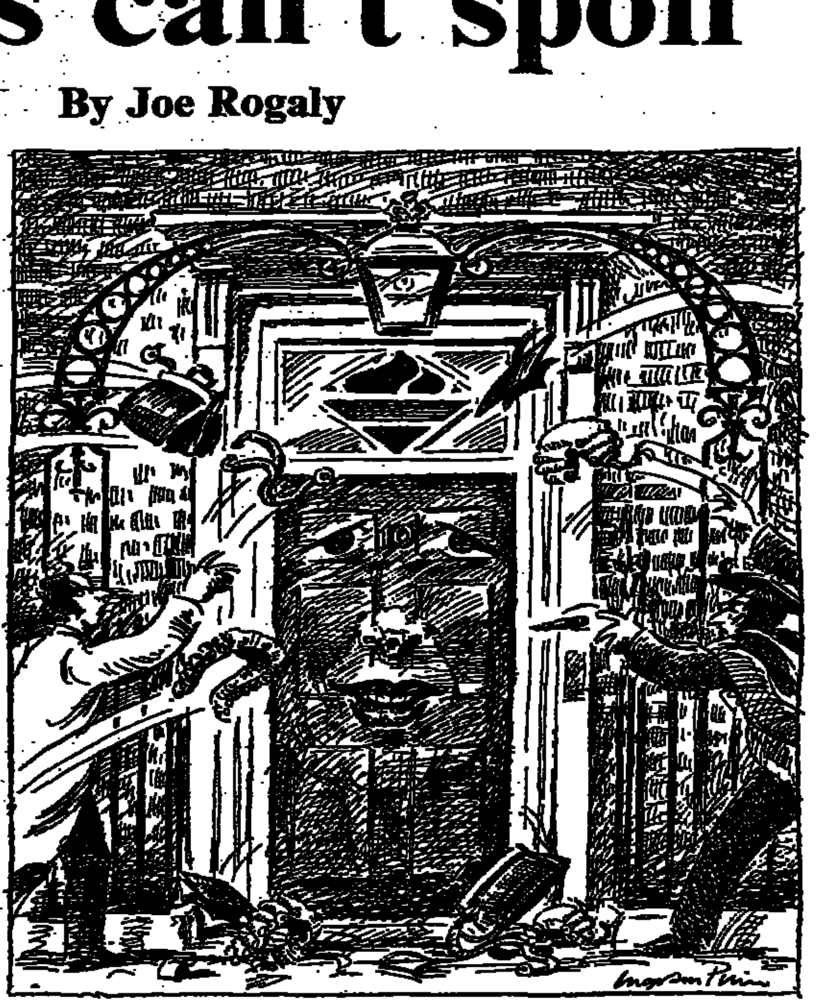
For most of last year most of the Cabinet was insufferably self-confident. Parliament would do anything they asked. The Conservatives would certainly win the next election, and probably the one after that. A new era had arrived. Now, Whitehall's ministers are trying to recapture those heady days by telling themselves that the current upsurge in inflation will recede. It may go a little higher than first thought, they say into their shaving mirrors, and it may take a little longer to get down than the Chancellor, Mr Nigel Lawson, was predicting in his Budget a few weeks ago, but worry not. We've done it before. We'll do it again. The retail prices index is safe in our hands.

My guess is that they will continue to comfort themselves with this refrain, whatever the latest RPI figure turns out to be this morning.

The balance of payments deficit? Well, yes that is a little troublesome but it is a temporary embarrassment. Growth will slow, the consumer boom will abate, and the deficit will fall. The prospect of a hard landing, a sharp recession? No, the slowdown will never go that far. The unspent fiscal surplus? It may be getting even bigger in the first half of this year, but profitability is sure to fall in the second half. Corporation tax will come in at a slower rate, and the surplus will become smaller. I have heard only one indirectly contrary opinion, which is to the effect that the Government's policy of buying back gilts must be inflationary because it leaves the sellers with cash in their hands.

This whistling in the dark is keeping ministers' spirits up. They are well aware that a serious and prolonged economic downturn could achieve the seemingly impossible and lose them the next election — but either they truly believe that the outlook will improve well before voting day, or they are very good actors. Of course it depends upon where the speaker sits. The Laurence Oliviers and Dustin Hoffmans are all in the Treasury.

Mr Lawson himself deserves an Oscar. He never deviates from his script, and he always delivers it with full force. Yet he is no longer absolutely secure in his role. A big change has come over his image during the past quarter. Around Christmas the sort of thing you would hear was that he had to stay put as Chancellor in order to ride out the elephantine blip in inflation caused by his 1988 Budget. Confidence would be shattered if the Prime Minister moved him. Now, it seems, the belief among some ministers is that confidence would not be all *that* shattered if he were to be eased out of No 11 Downing Street. (This view is also gaining force in the City.) As to Tory MPs, a not untypical quote of the week is: "Of course the figures will look worse in July, when she is deciding on this year's reshuffle. Her eye might then fall upon Nigel." I have no idea whether the Prime Minister is thinking this way. All I can tell you is that, justified or not, there is a burgeoning sense that there may be something really amiss. This is doing no good whatsoever to Mr Lawson's reputation.



There is as yet no serious knock-on effect on backbench confidence in the Government as a whole. The series of show business spectaculars staged by the Prime Minister is particularly effective among her own followers, who are not by nature prone to questioning whether much has actually been *done* about the inner cities, the greenhouse effect, keeping Britain tidy, southern Africa, Anglo-Soviet relations or any of the other turns in her continual cabaret. These are people who affect to believe that water privatisation is a good idea (winking while they say it), so perhaps they will persuade themselves to believe anything.

Well then, how about the doctors, the dockers, the lawyers. You are taking them all on, all at once. Is this politically wise?

Frankly, no, says almost everyone. The doctors have been particularly clumsily handled. It was a huge error to allow their pay negotiations to get mixed up with the restructuring proposals in the white paper. An attempt is, however, being made to do something about that. There are contacts behind the scenes. The pay negotiations are not permanently stalled, although it may be a while before a fresh formula is found. But never fear. The British Medical Association is not unbuyable. A negotiated settlement of the doctors' contract will sooner or later be achieved; alternatively the contract will have to be imposed in much its present form.

If the optimists who expect a negotiation followed by a deal are proved right, it will then be possible for Mr Kenneth Clarke, the Secretary of State for Health, to begin the long slow process of making sufficient compromises on the restructuring to dig himself out of the political hole into which he and his colleagues dug themselves in the first place.

They have the Prime Minister's public blessing for this. The detailed consultation papers, Mrs Margaret Thatcher told the House of Commons in answer to a question on Tuesday were, of course, for consultation. "They are not meant to be a specific blueprint and we will, of course, consider representations." Coming from her, that could reasonably be taken by the doctors to mean that the Department of Health will do any reasonable deal it can to save the semblance of its white paper proposals for self-government for National Health Service hospitals and voluntary practice budgets for GPs.

The dockers are regarded as more of a bonus than a threat. Mr Ron Todd of the Transport and General Workers Union has given the game away. If a strike is called over the Government's proposed legislation to abolish the Dock Labour Scheme the TGWU could fall foul of the law. It may yet do that and incur heavy fines and then lose the strike; alternatively it may try to negotiate a fresh contract with the employers and perhaps strike over that. It would still lose. The Conservatives are ready for a fight, but have little doubt that they can win.

The lawyers are another story. The Government is clearly a bit shaken by the drubbing it received from senior members of the judiciary in the House of Lords last week, but it is consoling itself with the view that among the non-judges who spoke, the division of opinion was marginally in favour of Lord Mackay's proposals for the reform of the profession. The judges themselves have made the worst of their case by threatening to go on unofficial strike next Monday, just as if they were 1970s miners or dockers. Happily they backed down yesterday, so there is now room for compromise, since the reforms have been proposed in a "green" paper, which is supposed to mean "for discussion."

The remaining item in a proper end-of-quarter report has to be Mr Peter Walker. The Secretary of State for Wales is a canny fellow. He makes no secret of his view that the state has a role to play in regional and industrial policy. His formula, applied with cheeky panache in Wales, is free enterprise strongly backed by Government. The same formula has had some small success in Japan, France and Germany. It is, however, directly contrary to the *laisser-faire* spirit of free-market Thatcherism — although, as to the letter, Mr Walker can defend every line of the celebrated lecture he gave on Monday. It is all current Government policy he will protest, his expression innocent.

The week's gossip has all been about whether Mrs Thatcher can tolerate such insubordination any longer. There is no reason why she shouldn't. Mr Walker's long Cabinet experience has enabled him to build up a store of wisdom that can be useful, especially in moments of crisis. He is a powerful defender of Government policy, especially when he chooses to be. If the Prime Minister does decide to dispose of his services he can afford to sit on the backbenches for a year or two while non-Walker conservatism proves either successful or a total failure.

What it all adds up to is a series of little local difficulties, not the beginning of the end. That, at least, is the current self-comforting view. It is given enormous strength by the total inability of any serious Conservative to believe that Mr Neil Kinnock is capable of leading the Labour Party to victory in almost any circumstances. They can hardly believe their own forecasts of a Labour victory in the forthcoming by-election in the Vale of Glamorgan.

In short, the era of complacency continues. One of its consequences is that it is seemingly impossible to get the Prime Minister, or her Chancellor, to listen to arguments about those of the very poor who have become casualties of the refocusing of state aid on the extremely poor. This myopia was once again in evidence on Tuesday when the Labour MP for Glasgow Cathcart, Mr John Maxton, asked the Prime Minister to justify the case of his 79-year-old, blind constituent, Mr William Bradley, whose income from the state on 1 April 1988 was £55.55 per week. Did she think it fair "that on 1 April 1989 it was £52.55 and that on 1 April 1990 and 1 April 1991 it will be £52.55?"

Mrs Thatcher responded by recalling the transitional protection in the period of introduction of the new social security system, which had the effect that "when the whole system was simplified and improved, and a lot more money was spent on it, people were protected from having a reduction in their cash." She concluded:

"The Hon. Gentleman takes a particular case in which there will be no real increase. May I, therefore, take credit for the fact that 98 per cent of all pensioners will receive a cash increase with the coming uprating?" Mr Maxton's constituent is no doubt more anxious about the upsurge in inflation than anyone else, the Prime Minister included.

LOMBARD

A charter for casual labour

By Charles Leadbeater

BRITAIN's national dock labour scheme is attacked as an anachronism, but the issues raised by its abolition have a central relevance to the modern labour market.

The problem it was designed to overcome — the insecurity and inefficiency of casual employment — is far more widespread than when the scheme was introduced in 1947. The relevance of the scheme to the docks may have diminished. Port employers have pledged that there will be no return to the labour auctions which used to take place every morning at dockside offices as dockers queued to pick up a day's work. They are unlikely to want to hire dockers on a daily basis to drive cranes worth more than £1m apiece.

But elsewhere in the economy, less obvious auctions of casual, temporary, freelance and short-term contract labour have become commonplace.

At central London job centres, unemployed people often queue overnight for the chance of picking up a day's washing-up in a hotel kitchen.

Each night in the City of London the buses fill with middle-aged black women, the contract cleaning labour force returning home after a couple of hours work. Building developments swarm with self-employed building workers on contracts lasting a few weeks. The casual labour force, mainly women, often black, abounds among security guards, fast food servers and petrol pump attendants.

These are the modern equivalents of the 1930s dockers. They face continual uncertainty over where and how they will be employed, and how much they will be paid. Those who provide the economy with most labour flexibility, by constantly moving in and out of short periods of employment, have not been rewarded with much security. There is a pressing need for some form of contract cleaner or hotel "washer-up" labour scheme.

With the decline in the number of young people entering the job market, employers will increasingly have to recruit women who return to employment after bringing up children, or older workers. If employers are to tap these alternative sources of labour in a competitive recruitment market, they will have to offer both flexible working patterns and security of employment.

Already some large service sector employers are guaranteeing jobs to women who take career breaks to have children. Temporary staff recruitment agencies have for some time been competing to attract skilled temporary secretaries by offering them all the trappings of a full-time employee with entitlements to a pension, sick pay and annual paid holidays. Some electronics companies have set up registers to ensure they establish a relationship with a pool of short-term contract staff.

The national dock labour scheme's register of dockers helps to maintain minimum levels of skills and training. Such a scheme could be of some use in the construction industry. Many large employers are concerned that the increase in self employment and short-term contracts has led to a serious decline in training standards. Small contractors have neither the time nor the resources for training available to large companies.

Some big construction employers have suggested that registers of qualified building workers should be introduced, to ensure high standards of competence. Without such a scheme, the long-term competitiveness of the industry may suffer. The same problem is about to confront the television industry. TV employers are concerned that training standards, which have been maintained by the BBC and the large ITV companies, may fall by the wayside as small sub-contractors, which employ staff on rolling short-term contracts, grow.

The Government and the Transport and General Workers Union claim to be concerned to avoid a return to casual employment for 9,400 dockers. Both should be much more concerned about the blatant insecurity of the millions of workers in the new peripheral labour force — the contract cleaners, the hotel kitchen staff, the security guards and self-employed builders.

LETTERS

Company singsong

From Mr John Crump.

Sir, Clive Wolman's Long View ("Shareholders? Who needs them!" Weekend FT, April 8) points to one of the key differences between British-style and Japanese-style capitalism.

Private shareholders figure only marginally in the calculations of big Japanese companies. Whenever the defenders of what Clive Wolman calls "British managerial capitalism" use Japan to bolster their arguments, they scrupulously avoid mentioning those Japanese practices which do not fit *their ideological model — the* low status accorded to shareholders, the low interest rates, and so forth.

However, having made a valid point, Clive Wolman then goes off the rails by ignoring those features of Japanese-style capitalism which do not fit his ideological model.

The idea that Toyota operates in the interest of its work force is difficult to square with Satoshi Kamata's account, in Japan in the Passing Lane, of how Toyota treats its employees. Quite apart from that, the giant companies such as Toyota and Nissan are not typical of Japanese industry anyway.

Clive Wolman's "Japanese practices," such as life-time employment, the seniority wages system and single company unions, simply do not exist for most Japanese. He is describing conditions experienced by, at most, 30 per cent *of Japan's workforce*. In percentage terms the conditions of the other 70 per cent — with no guarantee of life-time employment, not in trade unions, derisory welfare benefits and so on — are far more representative of "Japanese practices."

Locked into his ideological model, Mr Wolman finds it "not easy to pinpoint what has created such strong employee identification and motivation." There is no mystery. The proverbial loyalty of the minority workforce on the permanent payrolls of the giant companies *depends on the deprived condi*tion of the majority elsewhere. Any worker who thinks twice about singing the company song knows that there are many more waiting to step into his shoes.

The low levels of state welfare benefits mean that the 70 per cent of employees not covered by the type of company *welfare schemes* that Toyota or Nissan can provide for the privileged sections of their workforces would give their eye teeth to change places. Who wouldn't sing the company song in such circumstances?

John Crump,
University of York,
Heslington, York.

From a view to a check

From Mr G.J. Forster.

Sir, I note from your article (April 11) on the UK clearing banks' refusal to raise the £50 limit on cheque guarantee cards, that they do not believe *there is any great dissatisfac*tion with the £50 limit.

No doubt this is because they have not asked their customers the question, and would prefer not to — so as to ensure that consumers use credit cards, which produce a much greater profit for the banks. I hope the Office of Fair Trading is paying close attention to this.

G.J. Forster,
Vine Cottage,
Longdown Road,
Farnham, Surrey

Purpose of pension fund investments

From Mr Graham Hoar.

The FT refers (April 13) to the possibility that if Toyota chooses Derby for its new plant, the council pension fund would invest substantially — £20m — in the company's shares.

While this may well prove to be an investment surpassing even Old Master paintings in its growth, and while no doubt the county of Derbyshire will benefit by Toyota's presence, I am concerned about the propriety of pension fund trustees reaching such a decision on *the grounds of benefit to* — in this instance — a region, as opposed to benefit to their members. Trustees owe their primary duty to the members.

The situation seems very similar to that which gave rise to the case of *Cowan v Scargill* (1984).

In that case the National Union of Mineworkers (NUM) tried to restrict investments by the National Coal Board's pension fund, because it was the union's policy that the scheme's fund be invested in Britain rather than abroad, and not be invested in energy industries competing with coal.

It was held that the NUM trustees were in breach of their fiduciary duties as trustees to do the best they could for the beneficiaries — that is, the members — in refusing to approve the investment plan proposed unless the NUM investment restrictions were adopted.

In his judgment Sir Robert Megarry said: "Powers must be exercised fairly and honestly for the purposes for which they are given, and not so as to accomplish any ulterior purpose, whether for the benefit of the trustees or otherwise."

Graham Hoar,
First Floor, Bouverie House,
154 Fleet Street, EC4

Shadow directors

From Mr Barry Donnelly and Mr Martin Piers.

Sir, Our article "The assumed role of a shadow director" (March 2) prompted a number of letters, including one from Paul Oughton, who acts on behalf of the liquidator of MC Bacon Limited, who is bringing the action (to which we referred) against the bank as a shadow director.

Mr Oughton informs us that in fact the bank has neither appealed the decision nor indicated any intention to do so. As the bank's application to strike out was unsuccessful after a full 3½-day hearing, the conclusion, as matters stand, must be that there is a definite possiblity of a bank being held to be a shadow director, contrary to the commonly held view prior to this case.

Barry Donnelly,
Martin Piers,
Gouldens,
22 Tudor street, EC4

The hunting of the Index . . .

From Mr B.F. Davies.

Sir, Mr C.T. Ross (Letters, April 1) paints rather a gloomy, somewhat inaccurate picture of stock market indices and the quoted performance of unit and investment trusts.

According to standard reference, the "original" FT Industrial Ordinary (30 share) Index *is* "an unweighted geometric mean" of the price-relatives of the individual constituents — that is, the 30 such values are multiplied together, and the 30th root taken of the product.

However, the FT-Actuaries Shares Indices (the All-Share, in particular) is derived from the weighted arithmetic mean of the price-relatives and, in the usual circumstances of the price-relatives having differing values, computation of an *index based on arithmetic means* will always "beat" the geometric-derived index.

The arithmetic mean is certainly more closely related to an investment portfolio where the final appreciated share prices are of paramount importance to investors, but selection of a few constituents from the total comprising the index will determine whether we *over- or under-* "tracks" the All-Share performance.

Looking through several annual reports of investment trusts and equities of my portfolio, I find that graphs and other statistics use the all-share index by way of comparison *with the performance* of the business. The adoption of a "mathematical trick" does not generally seem to be in evidence, although some concerns may come close to the wind of truth.

If the public is being taken in by the questionable presentation of statistics, it may be in the use of linear graphs for the dependent variable with the *origin placed far above zero.*

This apparent distortion and amplification of variations over a particular period is most misleading; much better is a logarithmic scale on which a percentage scale can be added, if required.

This is often the case with graphs showing the performance of the FT All-Share index over the past 20 years or so, from which a true representation of the 1974-1975 crash can be compared with the less severe crash of 1987.

B.F. Davies,
131 Teg Down Meads,
Winchester, Hampshire.

An article on investment performance statistics will be published in Weekend FT on Saturday April 15.

FINANCIAL TIMES
Friday April 14 1989

Probe launched into alleged chemicals cartel

By David Buchan in Brussels and Peter Marsh in London

POSSIBLE market rigging by European producers of soda ash, a chemical widely used in the glassmaking and detergents industries, is being investigated by the European Commission.

Its inquiries follow dawn raids by its inspectors on company offices earlier this week.

The activities of six large chemicals companies – Solvay of Belgium; the UK's Imperial Chemical Industries; Rhône Poulenc of France; Akzo of the Netherlands; and Henkel and Kalk, both of West Germany – are under scrutiny.

Kalk is 75 per cent owned by BASF, Europe's biggest chemicals group

The inquiry follows a recent heavy fine by the commission on a group of 23 European chemicals businesses for operating a cartel in plastics.

The inquiry also follows a suggestion by US soda ash producers that the European market should be opened to competition from the US.

Soda ash, of which an estimated 8m tonnes a year is used in Western Europe, sells at an average $200 a tonne in Europe, or roughly twice the US price.

US producers have complained to commission officials that they are prevented from exporting to Europe by a heavy dumping duty.

This was imposed in 1983 and has lifted the price of US-imported soda ash to roughly the European level.

The Connecticut-based American Natural Soda Ash Corporation, owned jointly by US producers and representing their interests in export markets, has made representations to the commission.

Mr John Andrews, its president, said yesterday: "We have not made any allegations of a cartel among European producers. We have said that the structure of the market is less competitive than it should be."

He said he thought the soda ash market in Europe was an "oligarchy" in which European producers sold on a regional basis without real competition.

Mr Andrews said his association's owners, which include FMC, Kerr-McGee, General Chemical and Tenneco, would be able to sell up to 250,000 tonnes of soda ash a year in Europe, if dumping duties were removed.

Two other members of the US association are Stauffer and Texas Gulf, which are owned in both cases by French companies – Rhône-Poulenc and Elf Aquitaine.

US producers can sell soda ash relatively cheaply because their production costs are low. Natural deposits of the material exist in Wyoming and California, whereas European companies have to operate a complex manufacturing process involving the addition of ammonia and brine to limestone.

US production of soda ash stands at about 8m tonnes a year, of which roughly a quarter is exported.

Solvay, the world's biggest producer with an estimated output of 4m tonnes a year, said yesterday it had no comment to make because the commission had made no formal allegations.

However, a Solvay spokesman said that in common with the other five companies, it had co-operated fully with Commission inspectors who, after spending two days at its Brussels headquarters, had left with a pile of photocopied documents "half a metre high".

ICI said: "We are co-operating fully with the European authorities." It would make a full reply at a later stage.

The commission recently fined 23 European chemical companies, including ICI and Solvay, a record total of Ecus 60m for attempting to carve up the market for polyvinyl chloride and low density polyethylene, two widely used plastics.

It has also recently won the support of the European Court in its attempts to compel companies to co-operate with inquiries into possible anti-competitive cartels, which are illegal under the Treaty of Rome.

The Committee for the European Glass Industry in Brussels said that it had joined the US soda ash producers in asking the Commission to lift dumping duty on US soda products – or at least to ensure that the duty is not renewed beyond its expiry date next November.

According to some reports, the market appears to have been so arranged as to give Solvay market predominance in Belgium, Spain, Portugal and a part of Germany.

Under this arrangement, according to the reports, ICI has the UK and Ireland, Rhône Poulenc the French market, Akzo the Dutch market and a part of Belgium, with Kalk and Henkel dividing the rest of the German market between them.

This would roughly correspond to where the companies have soda production facilities.

Solvay's operations in Spain and Germany were also visited by EC inspectors this week.

The Committee for the European Glass Industry in Brussels said yesterday it had filed no cartel complaint with the European Commission.

It had, however, joined with the US soda ash producers in asking the Commission to lift the dumping duty on US soda products, or at least to ensure the duty was not renewed beyond its due expiry in November 1989. Imposed in 1983, the EC duty is Ecus 67 per tonne of US soda ash. The glass industry group said yesterday it had complained that this had made prohibitively expensive European purchase of the US raw material.

Cool response to merger control plan

WEST Germany and the UK last night said the European Commission's latest attempt to resolve the deadlock over its merger control regulation was a step in the right direction – but still well short of their requirements. They insisted the Commission should increase dramatically the Ecu2bn it is proposing as the combined turnover at which cross-border mergers would be forced to seek advance clearance from Brussels. Page 2

Soda ash stands out as the hard pressed poor relation

By Peter Marsh in London

THE INVESTIGATION by European Commission officials into possible price fixing in Western Europe's £1bn-a-year ($1.69bn) soda-ash industry is the latest in a series of problems for this hard-pressed sector.

For much of the past decade, the business has been very much a poor relation in the chemicals industry as a whole.

The main suppliers, all of whose offices have been the subject of raids this week by Commission cartel-busting officials, are Solvay of Belgium, Britain's Imperial Chemical Industries, Rhône-Poulenc of France, West Germany's Henkel and the Netherlands' Akzo.

Soda ash (sodium carbonate), which is an important raw material in the glass and detergents industries, is highly unexciting. Its production process has barely altered for 100 years.

The manufacturing method, which involves adding ammonia and brine to limestone, is highly energy intensive and the industry has had a tough time keeping down costs.

Added to this, the European industry has had to battle to keep output at reasonable levels because of static or barely rising demand from customers.

While much of the chemicals industry has experienced good demand for its products in recent years due to buoyant economic conditions, these factors have done litle to help soda ash producers.

Glass output recently has been fairly flat, due to competition from other materials such as plastics packaging. In detergents, manufacturers have during the 1980s been increasingly been using sodium hydroxide instead of soda ash. This is a byproduct in chlorine production and for much of this decade has been significantly cheaper than soda ash.

Sodium carbonate now sells at about £125 a tonne in Europe. In contrast to prices across much of the rest of the European chemicals business, which have risen steeply over the past two years, soda ash prices have been virtually static since the mid-1980s.

Another headache for the beleaguered European industry is the existence of cheaper supplies of natural sodium carbonate in other parts of the world, including the US, Turkey, Kenya, Tanzania and South Africa. In these places, the material is obtained from a mineral called trona and is significantly cheaper.

In the early 1980s, soda ash imports, especially from the US, were a problem for the European industry. But the difficulties have eased, thanks largely to tariffs imposed by the Commission in 1983 on supplies from the US.

With the unhappy state of the soda ash business generally, people in the chemicals sector contacted yesterday said they would not be surprised if some kind of agreement on markets and prices had existed among the main European suppliers.

"I think you can say that a practice of what you might call 'orderly marketing' has been in place," said one executive.

Another observer, who also said he did not want to be named, agreed he thought some kind of market sharing had taken place. "But I have some sympathy for the suppliers. They are in a difficult business and this kind of arrangement is possibly the only way they can survive."

Whatever the outcome of the Commission's inquiries, its officials are clearly in a mood to get to the bottom of the affair.

One of the officials, together with two people from Britain's Office of Fair Trading, raided ICI's main soda ash production plant in Winnington, Cheshire, early on Tuesday morning. Yesterday afternoon they were still there.

WEST EUROPEAN SODA ASH PRODUCERS

Annual output (m tonnes) 1987	
Solvay (Belgium)	4
ICI (UK)	1
Rhône-Poulenc (France)	0.6
Akzo (Netherlands)	0.3
Henkel (W Germany)	0.3
Kalk* (W Germany)	0.3

*75 per cent owned by BASF
Source: Industry estimates

Paris and Bonn in nuclear joint venture

By Paul Betts in Paris

FRAMATOME, the French nuclear plant manufacturer, and Kraftwerk Union (KWU), the energy subsidiary of the West German Siemens group, signed a major joint venture agreement yesterday which is expected to open the way to broad co-operation in the nuclear field between Paris and Bonn.

Framatome and KWU have decided to pool their international activities in the nuclear pressurised water reactor (PWR) field into a joint subsidiary called Nuclear Power International (NPI) headquartered in Paris.

The new company will be in charge of the international marketing of the two groups' PWR business as well as co-ordinating the development of a common PWR technology for the international market. But it will not handle the two groups' PWR activities in their respective domestic markets.

The agreement, designed to strengthen the international market penetration of Framatome and KWU, is also expected to lead to a series of other major nuclear co-operation agreements between France and West Germany.

The West German Veba group is now understood to be considering halting construction of a nuclear fuels retreatment plant in Bavaria under pressure from German ecologists. As an alternative, it is now envisaging taking a 49 per cent stake in a new retreatment unit under construction at La Hague, the French nuclear complex in Normandy.

At the same time, Electricité de France (EdF), the French state electricity utility, is also negotiating the sale of excess French nuclear-generated electricity to West Germany. The French utility has been actively promoting the sale of its excess power capacity to neighbouring countries.

The Framatome-KWU agreement to pool their international marketing activities was orginally to be signed last week. However, last minute hestitations on the part of the Commissariat de l'Energie Atomique (CEA), the French nuclear power agency, delayed the agreement.

The CEA is a major shareholder of Framatome together with the privatised Compagnie Generale d'Electricité (CGE), the largest shareholder with a 40 per cent stake in the French nuclear power group.

However, Mr Roger Fauroux, the French industry minister, yesterday welcomed the agreement.

The new joint Framatome-KWU company based in Paris will be managed by a board of directors with four representatives. The general manager will be appointed by Siemens/KWU and the deputy general manager by Framatome.

Britain closes loophole on insider dealing

The British Government's attempts to curb insider dealing was supported by a legal ruling yesterday in the House of Lords, the country's highest court of appeal.

The decision by the Law Lords sealed a loophole that had endangered government legal moves which are at the forefront of its campaign against insider trading. The Government has six cases before the courts and 17 under investigation.

People were deemed to be guilty if they dealt in shares on the basis of what they knew to be unpublished, price-sensitive information no matter how it came into their possession.

Report, Page 8

Wright faces threat on ethics

Continued from Page 1

lan, who has argued in a 450-page report that Mr Mallick had a direct interest in legislation because of his oil and property interests.

Two specific bills are said to be at issue: an economic development grant for the Fort Worth stockyards and a bill which, belatedly, provided funds to bail out the savings and loan industry.

In 1986 and 1987, Mr Wright argued that federal regulators' efforts to close struggling Texas savings institutions would damage the regional economy – and he held up legislation providing funds for a bail-out to make his point.

Brussels says new butter fraud cost 'billions of Ecus'

By Tim Dickson in Strasbourg

THE SPECTRE of European Community farm fraud was raised again yesterday when a leading member of the European Parliament claimed that "billions of Ecus" have been wrongly paid out by Brussels to dairy producers in the Netherlands, France, West Germany and Belgium.

The allegations of Mr Piet Dankert, former President of the Strasbourg assembly and rapporteur on fraud in the Parliament's budgetary control committee, will fuel the bitter debate sparked off last year by two well-researched reports on EC export subsidies from the Court of Auditors, the EC's financial watchdog.

The Parliament's own public hearing in December focused further attention on the problem, prompting concern from Mrs Margaret Thatcher, the British Prime Minister, and forcing member states to seek ways of curbing alleged EC budget irregularities.

Mr Dankert made his astonishing claims yesterday to MEPs while he was presenting his own report, which suggested that as much as 10 per cent of the EC's £30bn ($50bn) budget may be the subject of fraud.

The basis of his allegation was that the fraud had taken place between 1982 and 1987 when dairy producers using a technique known as the "Nizo" method had sold their butter into the EC's intervention stores when it did not qualify for guaranteed purchases under the rules of the period.

Under the classic process, butter is made by taking the fat out of the milk and churning it – what results is butter and a sour "undermilk" which can be used for drinking or fattening animals. Under the Nizo method, a so called "sweet" residue is left which can be used for such products as coffee creamers or turned into dried milk powder.

According to Mr Dankert, the financial benefits (estimated at around Ecu1bn ($1.104bn) in the Netherlands and roughly half that in France) came because the producers were able to claim EC subsidies quite legally by selling their skimmed milk powder to animal feed producers.

Mr Dankert told MEPs that the fraud – which he said had been discovered from figures that should have been available to national authorities as well as the European Commission – was not the result of complex agricultural legislation. "The rules were perfectly simple," he stressed.

The Commission said last night that Nizo butter had been allowed for intervention from 1987.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio		–	–	Dubrovnik	R	14	57	Malta	S	18	64	Rhodes	C	21	70
Algiers	F	19	66	Edinburgh	R	7	45	Manchester	R	9	48	Rio de J'o	C	36	97
Amsterdam	R	11	52	Faro	C	16	61	Manila	F	34	93	Rome	C	15	59
Athens	S	19	66	Florence	C	17	63	Melbourne	C	18	64	Salzburg	F	17	63
Bahrain	S	27	81	Frankfurt	C	11	52	Mexico City	F	24	75	San Francisco	F	12	54
Bangkok	F	34	93	Funchal	S	20	68	Miami	S	23	73	Seoul	S	23	73
Barcelona	F	14	57	Geneva	R	4	39	Milan	R	10	50	Singapore	C	27	81
Beirut		–	–	Gibraltar	C	16	61	Montreal	C	-1	30	Stockholm	S	16	61
Belfast	C	7	45	Glasgow	R	6	43	Moscow	C	17	63	Strasbourg	R	8	46
Belgrade	S	21	70	Guernsey	R	10	50	Munich	C	9	48	Sydney	C	18	64
Berlin	S	23	73	Helsinki	C	17	63	Nairobi	F	24	75	Taipei	F	27	81
Biarritz	R	6	43	H. Kong	C	22	72	Naples	F	15	59	Tangier		–	–
Bombay	S	30	86	Innsbruck	F	15	59	Nassau	C	29	84	Tel Aviv	S	31	88
Bordeaux	R	8	46	Inverness	F	9	48	New Delhi	S	32	90	Tenerife	S	21	70
Brussels	F	12	54	Islamabad	C	30	86	New York	S	5	41	Tokyo	S	23	73
Budapest	F	21	70	Istanbul	F	15	59	Nice	R	10	50	Toronto	F	-5	23
B. Aires	F	23	73	Jakarta	R	32	90	Nicosia	S	22	72	Tunis	C	19	66
Cairo	S	36	97	Jersey	F	12	54	Oporto	F	13	55	Valencia	F	19	66
Cape Town	C	18	64	Jo'burg	S	23	73	Oslo	C	15	59	Venice	C	13	55
Caracas	C	28	82	Lima	F	24	75	Paris	F	11	52	Vienna	S	20	68
Casablanca	F	18	64	Lisbon	C	16	61	Peking	S	21	70	Warsaw	S	22	72
Chicago	F	11	52	London	C	13	55	Prague	S	20	68	Washington	F	7	45
Cologne	R	10	50	Los Angeles	C	16	61	Reykjavik	C	4	39	Zurich	R	5	41
Copenhagen	S	15	59	Luxembourg	R	9	48								
Corfu	F	19	66	Madrid	F	15	59								
Dallas	C	7	45	Majorca	Dr	15	59								
Dublin	C	9	48	Malaga	C	18	64								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Kohl puts Waigel in charge of finance

Continued from Page 1

eign D-Mark loans, which are exempt from it, slipped. However, Mr Kohl later described the idea that Mr Waigel had made changes in the tax a condition of his Cabinet entry as "pure invention."

It is true, however, that the Christian Social Union (CSU), of which Mr Waigel became head after Mr Franz Josef Strauss's death last year, has opposed the tax.

But while officials said yesterday that it could be simplified, any decision to scrap or emasculate it would clearly mark an even further loss of face for the centre-right coalition of Mr Kohl, for whom the Cabinet reshuffle is an attempt to recover status in the eyes of increasingly sceptical voters.

As for Mr Waigel, he will have to establish a profile quickly both at home and abroad. He must also develop a close relationship with the Bundesbank, whose association with Mr Stoltenberg was generally fruitful, despite strong differences over the new tax and other issues.

Ironically, the Bundesbank yesterday reaffirmed its opposition to the withholding tax in its annual report, noting that it had not only led to heavy outflows last year, but also contributed to a sharp drop in foreign long-term holdings in West Germany. Mr Karl Otto Pöhl, its president, has made no secret of his opposition to the tax.

THE LEX COLUMN

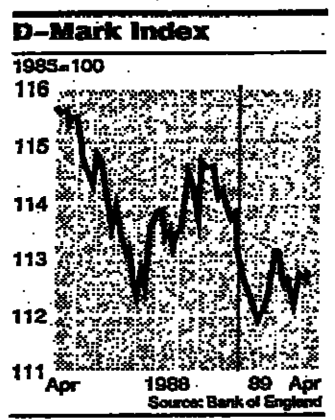
Withholding judgment on Mr Waigel

Frankfurt may be short on pertinent facts about the new West German Finance Minister, but that is not stopping financiers confidently predicting that the new chap will run the economy in much the same way as the old. Mr Waigel inherits not only an economy in good shape, but a tax-cutting budget for next year already hammered out. All that remains is for him to find a way of paying for it.

Still, yesterday's rise in the D-Mark and in bonds, and the enormous stock market turnover, shows the markets were pretty excited about something. The vision of Kohl reinforcing his coalition was part of it, but the real reason was Kohl's suggestion that withholding tax might go. As the wretched tax contributed to a capital outflow last year of some DM60bn and aided the weakness of the D-Mark, its abolition might seem a major event.

However, even if the Government did take this step – and yesterday's confusing statement was another example of its disregard for orderly market conditions – much damage has already been done. German investors have now developed a taste for high international interest rates from their new home in Luxembourg, while international investors were badly enough scared by the introduction of the tax not to be lured back so easily. Neither would scrapping withholding tax alter the rising trend of German interest rates; the major effect would be to stop the excitement in the Euro-DM market.

Just as likely as a complete suspension of the tax is a compromise that would exclude private investors or would lower the rate slightly – both of which would simply complicate matters. Indeed, as the EC is threatening to make everyone charge an equal withholding tax, it seems silly for Germany to change the tax now only to change it further later. Of course, if Mr Waigel is as opposed to withholding tax as all that, perhaps he will join the UK and Luxembourg and urge Brussels to drop the whole thing.



TSB

While Sir Nicholas Goodison was never the most obvious choice to transform the sleepy TSB into a dynamic financial services group, his experience in Stock Exchange politics should have helped soothe the egos of the 93 non-executive directors of the TSB who are now looking for another job. The reduction in the size of the main TSB board and the abolition of the regional boards was inevitable if the TSB ever seriously intended to sort out the regional management conflicts which have prevented it living up to its glossy image.

However, the TSB still has to work out its long-term business strategy; and the longer the choice of the next chief executive is delayed, the more difficult it will be for the TSB to convince the City that it is changing its spots. Its performance since the 1986 flotation has been a disgrace – its shares have underperformed by a third – and after last month's profit warnings, there is little chance of it matching the earnings growth of the sector for another year at least. Despite yesterday's boardroom clear-out, the TSB has yet to give a convincing reason why it should sell at a premium to a well managed group like the Bank of Scotland.

Beecham

Beecham's auction of its cosmetics business may be small stuff in the context of a £9bn-plus merger with SmithKline, but it is a big deal in the world of personal products. The goods on offer sound rather similar to the Faberge business bought for £890m by Unilever a couple of months ago, though the price is likely to be nearer £650m, in line with sales and profits 20 per cent lower.

Like the Faberge business, Beecham's falls into two roughly equal parts: down-market personal products, sold through chemists and chain stores, and up-market perfumes, run out of Germany, and sold on higher margin through specialist shops and department stores. With sales of some £370m and operating profits of £46m in the year to March 1989, it could attract buyers as a valuable entry into the European personal products business; though Beecham, with plans to gear itself to the eyeballs for the purposes of merger, is not a relaxed seller either.

The merger itself still seems on course, if yesterday's further slip in the SmithKline price is a guide. It continues to look doubtful whether an aggressor could contemplate a full bid, especially given the goodwill involved. If there is trouble, it is more likely to come in the form of attempted greenmail from disgruntled arbs.

Blue Circle

The sheer strength of profit growth from the big UK building materials producers is a highlight of the current crop of corporate results, and Blue Circle is no exception. UK cement volume rose 17 per cent last year, and Blue Circle, the market leader, even managed to increase its market share. With two price increases under its belt since last August, and further demand growth expected in the current year, the one third rise in Blue Circle's annual dividend underlines its confident mood.

Now that the benefits of the group's operational gearing have been largely exhausted, and cost pressures are beginning to build up, the group will be lucky to maintain its operating margins in the current year. However, a more pressing worry is the group's diversification strategy. It is looking increasingly likely that it bought Birmid Qualcast at the top of that company's earnings cycle, and the weaknesses of the group's overseas businesses are very apparent. Management problems in the US, a lack of a decent Continental European business and dependence on politically volatile areas like Mexico and Chile is not the sort of diversification which promises to cushion the inevitable decline in UK cement profits.

Insider dealing

There is a welcome finality about the Law Lords' ruling on the notorious term to "obtain" in the 1985 Act on insider dealing. Scarcely a week goes by without visible evidence of such dealing on the trading screens, but proving the offence has always been desperately difficult. At least it is now clear what the offence consists of: having inside information, solicited or not, and acting on it.

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Mérieux takes its best shot

The spirit of Louis Pasteur stalks the corridors of Institut Mérieux but talk in the boardroom is far more that of the 20th century. In pursuit of "a global marketing strategy and critical mass" the French vaccine company last month agreed to merge its human health activities with those of Canada's Connaught BioSciences. Andrew Baxter and David Owen examine what will be the world's largest vaccine producer. Page 29

An inspector calls

In South Korea they call it "zaitech" or financial engineering. Initially, banks and industrial companies used this dealing on foreign exchange markets to hedge against currency movements related to trade. But it increasingly became simply an opportunity to make profits, and now the first major loss has been reported. A team of investigators from the South Korean central bank has been despatched to Kwangju Bank, following revelations that it has lost Won30bn ($45m), more than half its net worth. Page 31

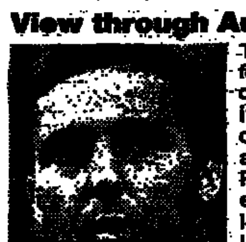
Bonfire of British vanities

The timing could scarcely have been worse. Prospects seemed bright a year ago when Michael Peters (left), head of the British design group of the same name, announced the acquisition of Hambrecht Terrell in New York. But no sooner had the deal been completed than the US retail design market collapsed. Yesterday Peters warned losses from Hambrecht would depress overall profits growth this year, reports Alice Rawsthorn, who also looks at the wider problems for the industry in the UK. Page 33

Little firms have little future

Small brokers are almost guaranteed to be squeezed out of London's futures markets because of the extra charges they face to finance the regulatory functions required under the Financial Services Act. So says Alan Harper, chairman of Coley and Harper, which has withdrawn from trading on the Baltic Futures Exchange. Page 36

View through Australia's gloom



There were no surprises for Australia's depressed stock market in the package of tax cuts and pay rises announced this week by Paul Keating (left). However, the long-term outlook for share prices is less predictable. Market sentiment is at an all-time low — but some analysts believe this gloom could itself signal a rally, as share prices bottom out. Page 52

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Coles	794	+	26.9
Allianz	1842	+	42	Drexel Aes.	428	+	25.4
Henkel	519.5	+	12.5	U.C.B.	229	+	12.7
Kaufhof	456	+	14	**Falls**			
Nixdorf	305	+	7.5	Ingenico	282.2	−	10.4
Falls				**TOKYO (Yen)**			
Man Masch.	275	−	6	**Rises**			
NEW YORK ($)				Ohkura Elec.	1780	+	150
Rises				Sasaki Glass	1100	+	100
Dow Chemical	91⅝	+	⅛	Shintom	3270	+	250
Freeport-Mc.	37	+	3¼	**Falls**			
Mickleberry	7⅞	+	2⅞	Korakuen	3730	−	240
Falls				Toho Titanium	2890	−	160
Coca-Cola	59½	−	1⅞	Tokyo Rope Mfg.	2150	−	150
IBM	109⅞	−	1⅞				
J.P. Morgan	35¾	−	1½				
PARIS (FFr)							
Rises							
BNP	339.9	+	15.8				
LONDON (Pence)							
Rises				Rank Org.	928	+	18
Alvalnv.Tst.	238	+	5	Unigate	365	+	5
Creston	61	+	12	**Falls**			
Granada	386	+	5	Blue Circle	543	−	15
ISA Intl.	188	+	8	B.P.	288½	−	6
Johnson Matthey	390	+	15	Devenish (J.A.)	311	−	14
Kelt Energy	55	+	4	Fleming Sidd.	628	−	5
Norfolk Cap.	38¼	+	2½	Peters (Mich.)	100	−	13
Pavilion Lsr.	175	+	13	Polly Peck	315	−	4

Terms altered in GEC-GE link

By Terry Dodsworth, Industrial Editor, in London

BRITAIN'S General Electric Company and General Electric of the US have abandoned plans to merge their European medical electronic businesses as part of the wide-ranging co-operation agreement announced three months ago.

In the final deal completed yesterday, the two companies have opted for a less radical change than a full merger. Instead of putting its medical business into the joint operation in return for a 25 per cent stake, GEC will sell its British sales and service operations to the US business and retain its West German manufacturing and distribution organisation.

Except for a few minor changes, other details remain unchanged. In household appliances, the two companies will have a joint venture based on GEC's Hotpoint and Creda ranges. In electrical distribution equipment, they are combining GEC's Belgian-based Vynckier business with GE's Cogemec.

In gas turbines, GE is linking up with both GEC and CGE-Alsthom, the French electrical group under a licensing deal which will give the European companies access to its technology. But it has decided to reduce its equity participation to 10 per cent from the 33 per cent target.

Mr Malcolm Bates, GEC's deputy managing director, said the company would be writing to shareholders to explain the agreement. There was no requirement to hold a shareholders' meeting, he said, because the assets represented less than 5 per cent of the group's capitalisation.

The medical deal had been changed, he added, because of strong equipment supply links between the German manufacturing operations and GEC's main US organisation, which is not affected by the deal. Both sides found difficulties in disentangling these arrangements.

Mr Paolo Fresco, GE's senior vice-president for international operations, said that the company would be giving between £10m and £20m for GEC's UK medical business. The overall balancing sum of £225m which GE agreed to pay for its stake in the GEC appliance business and other assets is unchanged.

● GE separately announced a sharp rise in first-quarter net earnings to $849m or 94 cents a share from $725m or 80 cents. Revenues rose to $11.9bn.

Siemens reveals Plessey plan, Page 35

Takeover terms value L'Espresso at L700bn

By John Wyles in Rome

ARNALDO Mondadori Editori, Italy's largest publishing company, will pay about L700bn ($506m) to acquire the L'Espresso group, publisher of a leading Italian daily newspaper as well as a weekly news magazine.

The publishers yesterday revealed some of the details of the cash-and-paper offer which has been made by Mr Carlo De Benedetti, whose Cir holding company controls Mondadori, and accepted by Prince Carlo Caracciolo and Mr Eugenio Scalfari, owners of 45.65 per cent of L'Espresso.

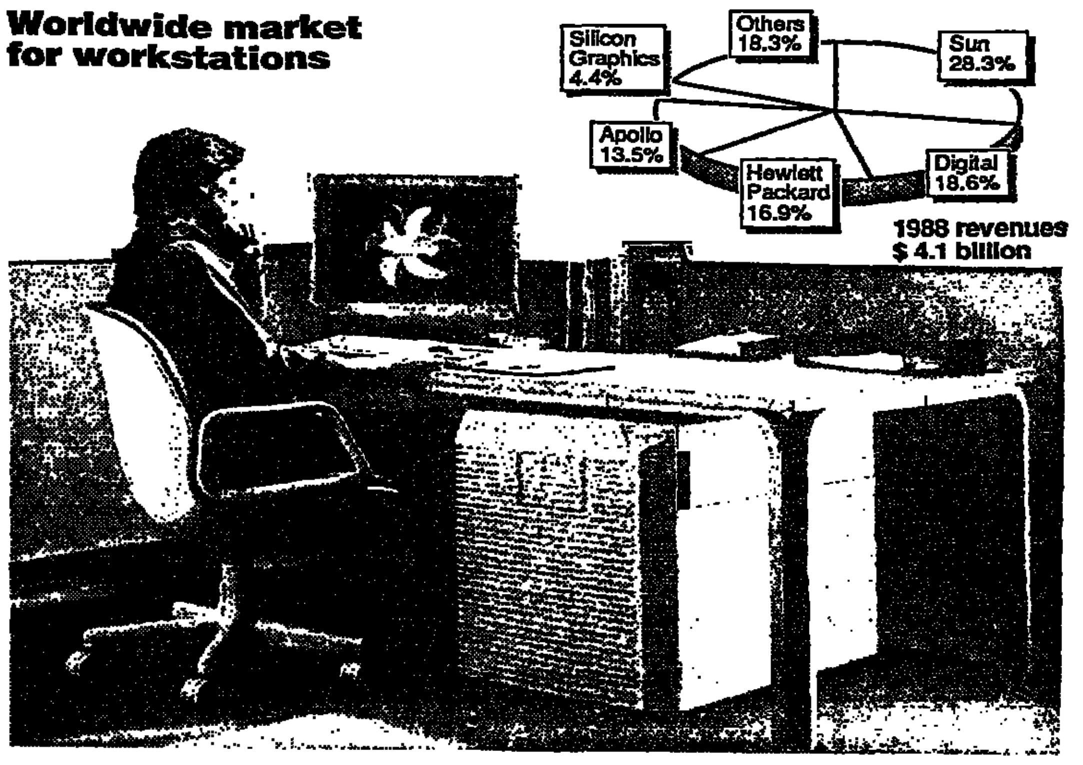
Other owners will be offered the same terms (unlike the usual practice in Italy), based on a L15,500 payment in cash and 2.2 shares in Cartiera di Ascoli, the paper company 68 per cent owned by Mondadori. At Cartiera's closing price before this week's suspension, this would value each L'Espresso share at L31,582.

This points to an overall price for the publishing group – which owns the weekly news magazine, La Repubblica, Italy's second highest selling daily, and 14 provincial newspapers – of L703bn. Cir already owns just over 17 per cent of L'Espresso.

No official figure was given for the global value of the deal, nor explanation for the discrepancy between the Caracciolo-Scalfari shareholding and the fact that Mondadori is actually purchasing fully 53.2 per cent of L'Espresso in the first phase of the operation before the public offer.

Anxious to allay concern about editorial independence which has caused journalists to strike this week at La Repubblica, L'Espresso and other group publications, the Mondadori board "reaffirmed the total autonomy and independence of the directors and journalists of all the titles, in full respect for the rigorous subdivision of tasks and responsibilities between shareholders, managers and journalists."

It is understood that Mr Caracciolo and Mr Scalfari, who is the editor of La Repubblica, will take a 10 per cent stake between them in Mondadori – 8 per cent and 2 per cent respectively. The two will join the Mondadori board with Mr Caracciolo taking over from Mr Sergio Polillo as president, and Mr Luca Formenton acting as vice president.



The men who would blot out the Sun

Louise Kehoe looks at the rationale behind Hewlett-Packard's $500m agreed deal with Apollo

WHEN IN comes to competing in the cut-throat computer workstation market, even Hewlett-Packard, the "gentleman" of the computer industry, takes off its gloves. Still Wednesday's announcement that Hewlett is mounting an agreed $500m cash offer for Apollo Computer came as a shock.

The acquisition represents an uncharacteristically aggressive bid by Hewlett to seize a leadership position in the $4bn computer workstation market, the fastest growing segment of the computer industry. It is also the first time in more than 20 years that Hewlett has undertaken a major takeover.

Adding to the drama of the occasion was the fact that the announcement came just hours before arch rival Sun Microsystems was due to announce what it called the most significant new products in its history.

The timing was purely coincidental, Hewlett executives insisted. But that did not convince some Sun executives that Apollo had not planned the acquisition announcement to upstage them.

In some ways, Hewlett and Apollo make strange partners. Hewlett is a veteran of the electronics industry, one of Silicon Valley's oldest and largest companies, known for its technology strengths and good citizenship. Last year, it had group sales of $9.8bn.

Apollo, in contrast, is a scrappy seven-year-old pioneer of the computer workstation market, based in Massachusetts and often portrayed as the "East Coast, buttoned-down" rival of California's workstation market leader, Sun Microsystems.

Despite their different styles, however, Hewlett and Apollo have much in common. Both have focused considerable resources at the workstation market and both have chosen similar product strategies.

Hewlett bases most of its workstation products upon Motorola microprocessors, switching to its proprietary Spectrum reduced instruction set computer (Risc) architecture for very high performance engineering workstations. Similarly, Apollo has Motorola-based workstations and RISC workstations based upon its own "Prism" design.

Merging the product lines of both companies will however present a major challenge, industry analysts said. There are also some difficulties over software, that will have to be resolved.

Nevertheless, Hewlett is confident that the companies will fit well together. "Hewlett and Apollo represent an ideal blending of product strengths and business strategies," said Mr John Young, Hewlett president and chief executive.

Perhaps the strongest bond between the two companies, lies in their common competitors, in particular Sun Microsystems, the aggressive market leader.

For Apollo, in particular, Sun has become the bitterest of rivals. Executives of Sun and Apollo have little good to say about one another. Frequently compared to Sun, one of the fastest growing computer companies in the US, Apollo has seldom been classed as the winner.

Over the past year, Apollo has lost market share to Sun, and suffered a major financial setback. After two quarters of losses, Apollo ended 1988 with profits of only $2.1m, down from $20.5m, despite an 18 per cent increase in revenues.

The company has been widely expected to seek a richer partner to allay concerns about its long-term financial viability, but few had suspected that its suitor would be Hewlett.

Ties between Hewlett and Apollo have, however, been building over the past year.

To take on their common enemy, Hewlett and Apollo joined forces, along with Digital Equipment and IBM, 18 months ago in an effort to dissuade AT&T from giving Sun Microsystems a "preferential role" in the development of the next generation of UNIX, a computer operating system that has become the focus of industry-wide efforts to establish standards that will enable different types of computers to share software and data.

Their efforts led to the formation of the Open Software Foundation, and the beginning of an industry-wide battle over software standards that has yet to be resolved. Apollo and Hewlett sit together on one side of the battle lines, while Sun Microsystems is firmly placed on the opposite side.

The disagreement was reflected in Sun Microsystem's comments on the Apollo acquisition. "It means one less competitor, and one less member of OSF," said Mr Scott McNealy, Sun president and chief executive.

Unable to resist an opportunity to throw a gibe at his competitors, Mr McNealy went on to describe the acquisition as the partnership of "one company that couldn't stand alone and one company that couldn't catch up".

But industry analysts view the marriage in a different light. "The merged companies will be a formidable force in the workstation market and a significant competitive threat to Sun Microsystems and Digital Equipment," said Mr David Burdick, an analyst at Dataquest, the market research firm.

Apollo's largest customer, Mentor Graphics, an Oregon-based company that is the leader in the field of computer aided design systems for the semiconductor industry, also praised the deal.

"We think this is great," said Mr Gerard Langeler, Mentor Graphics' president. "We've long said that Apollo was a great product company that was suffering from its financial image. This takes the financial issue off the table, with a company known for quality."

Apollo's customer base was the major attraction for Hewlett, according to industry analysts. Before the acquisition, Apollo boasted the second largests customer base, with 84,000 units installed. Hewlett ranked fourth with 49,025.

Hewlett says it will integrate Apollo into its existing workstation group. No decisions have yet been made about the role of Apollo's current managers, including its chief executive Mr Thomas Vanderslice, who yesterday said that he has "several options."

For Apollo, the acquisition marks the end of a long struggle. Although the company claims that it could have survived independently, had it not be approached by Hewlett with an attractive offer, industry experts believe that mounting competition from Digital Equipment and IBM, as well as Sun with its array of new products, would have made life very difficult for Apollo.

Sun sparks off battle with the big battalions. Page 18.

Crédit Lyonnais profits fall after losses at London securities unit

By George Graham in Paris

CREDIT LYONNAIS, the French state-owned bank, saw net profits fall by 7 per cent last year to FFr2.06bn ($324m) under the weight of heavy losses at its UK securities operations and a large increase in bad debt provisions.

Alexanders Laing & Cruickshank Holding, the London stockbroking and dealing subsidiary, made operating losses of FFr298m, and exceptional restructuring costs and the write-off of ALC's goodwill cost a further FFr305m.

Mr Jean-Yves Haberer, Crédit Lyonnais chairman, said that without these losses, the bank's net profit would have risen 12 per cent to FFr2.76bn. ALC's results so far this year have improved, but not yet returned to profit. Over 1989 as a whole, they are budgeted to break even.

Mr Haberer said the bank's business plan centred on the need to double its net profits by 1992. Provisions for risks were increased sharply to FFr6.36bn, after a reduction the previous year to FFr5.335bn.

Crédit Lyonnais clawed back FFr759m of provisions made on its securities portfolio in 1987, in the wake of the stock market crash, but increased client risk provisions by half to FFr1.74bn and doubled country risk provisions to FFr4.81bn.

Mr Haberer said that the bank had set a target of covering 50 per cent of its exposure on the 62 countries listed as at risk by the French banking supervision authorities, and had reached a cover rate of 51 per cent.

Even without the losses at ALC, he said, the bank would not have made more provisions. He refused to criticise the reduction in provisions in 1987, carried out under his predecessor, Mr Jean-Maxime Léveque. Mr Haberer noted that the emergence in the last few months of a new approach to the debt problem, especially the proposals of Mr Nicholas Brady, US Treasury Secretary, had made it urgent to increase the rate of cover.

"After seven or eight years in which debt problems were treated by rescheduling, we have arrived at a moment where creditors will be asked to abandon debts - governments, but also commercial banks," he said.

Lending activity increased strongly, with total loans up 18 per cent to FFr505bn. Leasing activity rose by 62 per cent and corporate lending by 18 per cent.

Blue Circle Industries forecasts record UK cement sales in 1989

By Andrew Taylor, Construction Correspondent, in London

BLUE Circle Industries, Britain's biggest cement manufacturer, forecast yesterday that UK sales of cement and additives would top 20m tonnes this year, beating the previous record of 19.8m tonnes in 1973. Sales last year were about 18.6m tonnes.

The group, the world's second largest cement producer behind Holderbank of Switzerland, said 1988 pre-tax profits rose by 31 per cent from £155m to £203.1m ($343m).

Yesterday's figures are the latest in a series of good 1988 results from UK construction and building materials groups. Earlier this week, Taylor Woodrow announced a 41 per cent increase in profits to £103m, and RMC, the world's biggest ready mixed concrete group, said profits had risen by 37 per cent to £205.9m.

In each case, profits growth has been led by big increases in UK turnover and profits. Blue Circle said UK profits had increased by more than two thirds last year to £134.1m.

It had been unable to supply all of its customers last year from its UK cement works and had imported about 1m tonnes of cement and clinker, which is ground in mills to produce cement. This year Blue Circle expected to import 1.5m tonnes.

Mr Jim McColgan, chief executive of Blue Circle's UK cement division, said the main Northfleet works in Kent would run out of raw materials by the end of the century unless it received planning permission to extend its quarrying operations. "Problems in getting planning permission for quarries makes it very difficult to increase UK production even if we wanted to," he said.

The world was slowly moving from a surplus of cement to a shortage, Mr McColgan said. Western Australia, for example, was finding it increasingly difficult to import from previous suppliers in the Far East.

Japanese companies had recently been seeking to buy cement from Blue Circle companies in Mexico. The UK group last year imported about 2m tonnes of cement into the US, where it is a large manufacturer of cement and concrete.

Lex, Page 26; Results, Page 33

Steady growth at Dresdner Bank

By Haig Simonian in Frankfurt

DRESDNER BANK, West Germany's second biggest bank, completed this year's reporting season for leading German banks by announcing a 4.9 per cent rise in 1988 group partial operating profits to DM1.6bn ($848m).

Full operating profits, which are not revealed but include earnings from own-account trading, reflected the bank's traditional strength in trading, with rises of 20 per cent and 35 per cent at group level and parent bank level respectively.

Net profits rose 11.2 per cent to DM519m, and the dividend remains unchanged at DM10 a share.

Despite the good results, Mr Wolfgang Roeller, the chief executive, announced a limited form of voting restrictions on its shares to prevent an unfriendly takeover.

According to the plan, which has to be approved by shareholders at next month's annual meeting, an investor's voting right will be limited to 10 per cent of the bank's equity capital. The scheme, if approved, will apply for an initial three years, and will only be invoked with approval of the bank's supervisory board.

Mr Roeller insisted that the plan, which reflects similar restrictions at some other German companies, had not been dictated by the persistent buying of the bank's shares since the stock market crash, which has triggered rumours of a possible bid. The buying reflected the fact that German bank shares were cheap by international standards, and the voting rights plan was designed to ward off "unfriendly" takeovers, he said.

As part of its strategy to develop its international fund management business, the bank has bought the Boston-based Oechsle group, an independent US global fund manager, which has about $1.2bn under management. The aim is to raise that to $2bn by the end of the year. Further small fund management purchases may follow in London, where the bank bought a majority stake in the Thornton Group last year.

Meanwhile, group interest income rose by 3.4 per cent to DM4.11bn last year, while fee income climbed by 9.1 per cent to a record DM1.50bn. The rise in interest income, coming despite a continuing fall in the bank's lending margins, stemmed from a sharp increase in lending business, with group total assets surging by 11.6 per cent to almost DM231bn. Last year had been "the year of credit business," said Mr Roeller.

Results in the first two months of this year had confirmed the strong trend in lending, while commission earnings had been "particularly" pleasing, and were running "appreciably" above the proportionate level for 1988, he added. As a result, both partial and full operating profits so far this year were well ahead of the proportionate figure for 1988.

Berliner Bank raises dividend to 10%

BERLINER BANK is to raise its dividend two points to 10 per cent following an increase in earnings last year from DM7.4m to DM32.4m ($17.2m), writes Leslie Colitt in Berlin.

Business expanded at twice the average rate of West German banks last year. The bank said it was cautiously optimistic about this year.

The city-owned bank, which is being privatised, has broken out of its local market over the past 15 years and become a national and international bank.

Berliner Bank scored a coup last year by obtaining a licence from Visa, the credit card company, and joining forces with Adac, the largest West German automobile club. Together with Landesgirokasse, it is offering the Visa card to almost 9m Adac members. The bank is negotiating similar arrangements with other prospective customers.

Berliner Bank's six West German branches showed a marked improvement over 1987 and are expected to achieve an overall profit this year.

Two of the branches suffered bad loans in 1986 which led to a suspension of the dividend.

The bank decentralised operations by creating five branches to cover West Berlin.

The advent of a red-green coalition government in West Berlin earlier this year had not halted previously planned investments, the bank said.

Businessmen had revealed some concern over the new Government's politics, but it was too early to determine what effect there would be on future investment.

French publisher's Spanish bid hits snag

By Tom Burns in Madrid

A BID BY French publisher Robert Hersant to acquire the parent company of Spain's Grupo 16 media group has run afoul of legislation prohibiting foreign ownership of more than 25 per cent of a Spanish company with radio and television interests.

The target company Impulsa, whose publications include the newsweekly Cambio 16 and the newspaper Diario 16, owns a small FM radio station called Radio 16. This has has proved a lifeline for Impulsa's chairman Mr Juan Tomas de Salas.

Mr de Salas, who claims to own more than 50 per cent of Impulsa, reacted angrily this week when the Hersant group announced that Cepresa, its Spanish holding company had bought more than 30 per cent of Impulsa.

The Economy Ministry yesterday said it would examine the nature of the Hersant bid, citing the legislation on foreign ownership. The Ministry warned it has full powers under existing legislation to block the French group's investment. As a precautionary measure the Ministry told Impulsa not to register Hersant's shares.

Diario 16 yesterday quoted Cepresa's chairman as saying that Hersant was willing to forgo ownership of Radio 16 if this was considered illegal by the Government.

In contrast, French pay-tv channel Canal Plus has moved gracefully into Spain with a bid, backed by powerful domestic allies, to provide commercial pay television. The enterprise, also called Canal Plus, will apply for one of three private TV stations to be allocated by the Government next month. Canal Plus owns 25 per cent of the venture's equity, the limit for foreigners. Prisa, owner of the newspaper El Pais and the radio network SER, has 25 per cent. Banco Bilbao Vizcaya and the March financial group each own 15 per cent.

Canal Plus could face rivals for the stations, including La Vanguardia, the Barcelona newspaper group, and publishers Grupo Zeta and Anaya.

Dassault registers sharp rise in group net profit

By Paul Betts in Paris

DASSAULT-BREGUET, the French aerospace group, reported yesterday a sharp rise in consolidated net profits to FFr427.7m last year from FFr185.6m the previous year. Group sales also rose to FFr18.8bn last year from FFr15bn the year before.

Parent company earnings, however, declined by 23 per cent to FFr146.4m last year from FFr191m the previous year. But Dassault emphasised that this fall in parent company net income reflected a substantial rise in profit taxes as well as the company's employee profit sharing scheme and provisisions for industrial restructuring costs.

New orders booked last year totalled FFr15.96bn compared with FFr13.43bn in 1987. Exports accounted for 58 per cent of the new orders while 21 per cent of the orders booked last year involved civil aircraft. Apart from military jets, Dassault also produces the Falcon range of corporate jets.

Mr Serge Dassault, chairman, said 1988 had been a particularly important year for the group because of the launch of the new Rafale fighter jet programme by the French government on which the future of Dassault largely depends.

The group had also sought to expand its activities in the space sector, develop cooperation with French and foreign companies, as well as continuing to reduce costs and specialise its manufacturing plants to improve competitiveness.

Indeed, Dassault is currently embroiled in a labour conflict with its unions over plans to shut down its Colomiers plant in Toulouse as part of its broad industrial rationalisation strategy. The company is currently negotiating with Aerospatiale, the state aerospace group, an eventual agreement to subcontract Aerospatiale work to Dassault to ease the restructuring problems at Colomiers.

Mystery over Banesto stake

By Peter Bruce in Madrid

THE MYSTERIOUS sale by Banco Espanol de Credito (Banesto), one of Spain's big commercial banks, of 2.05 per cent of its stock to an obscure Panamanian-registered company this week remained clouded in rumour and innuendo yesterday when bank officials said they would be unable to say who controls the buyer, Namrof Assets, until next week.

The shares involved were surrendered by two local businessmen, Mr Alberto Cortina and his cousin Mr Alberto Alcocer, after their successful fight to break up a planned merger between Banesto and Banco Central earlier this year.

The Bank of Spain has prevented Mr Mario Conde, Banesto's chairman, from buying back the shares directly because of concern over the amount of treasury stock Banesto accumulated while supporting its share price during the ill-fated merger process.

Earlier this week, Banesto put out a statement saying the 2.05 per cent had been bought by the Swiss Bank Corporation, but this was quickly denied by the Swiss, who said neither the SBC nor any of its affiliates had bought any Banesto stock. An SBC statement implied, however, that it was acting for Swiss interests in the possible purchase of the shares.

Mr Conde also appears to be having difficulties placing 3 per cent of the bank's stock surrendered by Banesto's former vice president, Mr Juan Abello, who resigned just before the merger plans collapsed.

Mr Jaques Hachuel, a local businessman, has taken one-third of the 3 per cent stake and transferred his 2 per cent stake in the private Swiss bank, Julius Baer, to Banesto.

Baer and Banesto may soon form a portfolio management joint venture in Spain.

In a further move, Banesto and its Asturiana de Zinc mining affiliate, have also taken a 10 per cent stake in Mr Hachuel's property company, Urbis, and have ceded, in return, a 20 per cent stake in Ceisa, a small property group owned by the bank, to Mr Hachuel.NNNN

Imasco warns on proposed trust law

IMASCO, the Canadian tobacco, fast food and retailing conglomerate, has warned the Government that it will seek a provincial charter for its Canada Trust subsidiary if new federal trust company legislation due by early autumn restricts its competitiveness, writes Robert Gibbens in Montreal.

Imasco, 40 per cent owned by BAT Industries of the UK, diversified into financial services in 1986 by acquisition of Canada Trust, one of the country's two largest trust companies.

Later the Government in Ottawa said that outside control of trust companies (or near-banks) should be limited. Imasco agreed to reduce its Canada Trust holding from 99 per cent to 65 per cent.

The provinces, led by Quebec, say that outsiders should be allowed to control financial services firms to encourage formation of large conglomerates able to compete worldwide.

Purdy Crawford, chairman, said that Imasco is still ready to bring down its Canada Trust holding to 65 per cent over five years.

"But if the rules of the game restrict CT's ability to compete with others not subject to ownership rules, we would consider all our options including shifting CT's incorporation to a province, possibly Quebec, where no ownership limits exist."

Maxwell in final bidding for Enquirer

By Raymond Snoddy

MR Robert Maxwell, publisher of Mirror Group Newspaper, is in the final round of bidding for the National Enquirer, the top selling American popular weekly with a circulation of more than 4m. The winner of the sealed bid auction could be announced today.

Mr Maxwell, it is believed, is in a tense battle for the profitable publication with Hachette of France and Bauer of West Germany and several other potential purchasers.

The price is likely to value the company at well in excess of $300m.

The Maxwell bid had been made through Mirror Group Newspapers rather than the quoted Maxwell Communication Corporation, and Maxwell Graphics in the US already prints the National Inquirer.

Roche sells German offshoot

By John Wicks in Zurich

F. HOFFMANN-LA Roche, the Swiss chemicals group, is to sell its German subsidiary Kontron Electronics to BMW, the West German car manufacturer, for an undisclosed price.

Kontron, based in Eching near Munich, produces electronic systems and components for analog and digital measurement and image processing. It has 1,150 employees and last year recorded sales of the equivalent of SFr233m ($140m).

The sale of the company to the Munich-based holding company BMW Intec, which is subject to official approval, is a further step by Roche to concentrate its electronics activities on analytical instruments and systems for its expanding diagnostics division.

Late last year the Basle group announced plans to divest Kontron Instruments, of Zurich, to a European investor *consortium headed by Barin* Capital Investors, of Paris. Kontron Instruments is a manufacturer of medical and clinical apparatus and in 1987 booked turnover of SFr341m.

● Von Roll, the Swiss steel and engineering company, boosted net group earnings from SFr34m to a record SFr82m last year, on a 46 per cent rise in turnover to SFr2.19bn. The rise in sales was due mainly to the takeover of the Swiss company Isola-Werke and the overall improvement in world steel prices.

The Gerlafingen-based parent company proposes to increase dividends for the year from SFr6 to SFr9 per registered share and participation certificate and from a semi-annual SFr15 to a full SFr45 per bearer share.

Shareholders will be asked at the May 24 annual meeting *to approve a change in the* statutes whereby an alteration in the rules governing the entry of registered shares into the Von Roll stock ledger would need the support of at least 51 per cent of all shareholders. This is intended to guard against any takeover of control at the company.

● Ems-Chemie Holding, Swiss parent company of the Ems group, plans to increase dividends for the current year ending April 30, from SFr55 to SFr70 per bearer share and from SFr11 to SFr14 per registered share.

It also proposes to make a rights issue of 37,936 new bearer shares of SFr500 nominal value to raise capital from SFr114.84m to SFr133.8m. For calendar 1988, Ems Group turnover rose by 10.2 per cent to SFr651m from SFr591m; net profits rose from SFr48m to SFr65m.

INTERNATIONAL COMPANIES AND FINANCE

Merging for a healthier future

Andrew Baxter and **David Owen** on a world vaccines tie-up

A century after the scientific endeavours of Louis Pasteur transformed the worlds of medicine, brewing and agriculture, an industry which owes much to his original researches is facing some modern challenges.

It was the French chemist and microbiologist who originated, and was the first to use, vaccines for anthrax, chicken cholera and rabies. However, this is not a tale of 19th century scientific discovery but of today's world vaccine industry. At the heart of the story are the buzzwords of late 20th century capitalism – global markets, critical mass, merger strategy and even poison pills.

It is fitting that one of the two principal players in this story should be Lyons-based Institut Mérieux (IM), the producer of vaccines and blood derivatives that grew from a medical institute founded in 1897 by Marcel Mérieux, one of Pasteur's assistants.

The other is Canada's Connaught BioSciences, formerly CDC Life Sciences, a Toronto-based company with interests in vaccines, pharmaceuticals and contract research. Connaught has been a household name in Canada since 1922, when it became the first manufacturer of the hormone insulin, following Banting and Best's Nobel Prize-winning discovery.

Last month the two companies agreed to merge their human health activities into a new company, Mérieux-Connaught, which will be the world's largest vaccine producer and – analysts say – the first with a truly global spread.

Mr Alain Mérieux, president of IM and grandson of the founder, says that the proposed merger will create a "new dynamic of enterprise . . . This company [Mérieux-Connaught] will be in the leading position worldwide for the development and production of vaccines which have a primary role in the prevention of infectious diseases."

It is easy to see why a merger should be attractive for both companies. With estimated world sales of just $900m, excluding Japan which bans the importation of vaccines, the vaccines industry represents only 1½-2 per cent of most countries' pharmaceutical markets.

Without big sales bases and forced to invest heavily in research and development – about 11 per cent of turnover at IM – companies have been restricted to defined geographical markets.

At the same time the industry is facing new competition. Until recently there was a clear separation between the vaccines industry with its biological approach to research and production, and the mainline pharmaceutical industry with its relentless screening of thousands of chemical compounds.

"The business of cultivating living organisms is very different to what the pharmaceutical industry was doing," says Mr Jacques Martin, the general manager at IM who negotiated the deal with the Canadians. "But this is going to change, and we have to acquire some of these technologies."

There are also some short-term problems for IM and the industry generally. Overcapacity and price competition in the blood derivatives market, and the need to reorganise testing procedures in the wake of AIDS, have meant that IM – with a 7 per cent share of the world market – "has not had a very good time in the past year or so," according to Mr Andrew Tivenan at James Capel.

The company's net profits fell 10 per cent to FFr190m ($29.8m) in 1987, and a further slight fall is expected for last year.

It was against this background that IM realised it had to "revise its concept of critical mass," as Mr Martin puts it. But negotiating a deal has not been easy. An attempt by IM last year to take effective control of Connaught by raising its stake from 12.6 per cent to 32 per cent foundered on opposition from the Canadian company and Canadian securities regulators.

Mr Brian King, Connaught chairman, offers three reasons why his company resisted the bid.

First, the C$32 a share offered by IM to raise its stake – valuing Connaught at about C$700m – was inadequate. Second, all shareholders were not treated equally. And third, there was "a complete absence of gameplan as to how the companies would co-operate."

After the collapse of this approach, Connaught began talking to other potential partners and, according to IM's information, preparing "poison-pill" anti-takeover defences.

The agreement that has eventually emerged is as complex as the industry it covers, and might well have taxed the brains of those 19th century pioneers.

The bulk of IM's human health activities will be injected into a new entity, IM Human Health, which will merge with two of Connaught's three business activities: the 100 per cent-owned Connaught Laboratories, which derives some 70 per cent of its revenues from manufacturing vaccines for diseases such as polio, bacterial meningitis and influenza, and its 35.4 per cent stake in Nordic Laboratories, a Canadian developer and manufacturer of prescription pharmaceuticals which is half-owned by Marion Laboratories of the US.

The resultant merger will create Mérieux-Connaught, whose shares will be split equally between shareholders in IM and Connaught. However, because IM already owns 12.6 per cent of Connaught, IM will end up with 56.3 per cent of the new company, which will fall to 51.4 per cent on a fully diluted basis. Mérieux-Connaught will be incorporated in the Netherlands but is likely to be publicly quoted in the US and Canada.

The remaining part of Connaught, Bio-Research Laboratories, will be spun off to shareholders, while IM will be left with its animal health business and 80 per cent of the revenues from its promising Imuthiol anti-AIDS treatment.

This structure partly reflects tax factors, but is also an attempt to find a more equitable and workable format than a takeover by IM. "This way, everybody's happy, and you've got a much stronger company," says Mr Tivenan.

Even so, Connaught's fabled past – it was owned until 1972 by the University of Toronto and played a key role in the 1940s in the first attempts to mass-produce penicillin – has produced a mixed response for the deal in Canada. While the economic case is generally regarded as compelling, the prospect of one of the country's few pharmaceuticals successes falling under foreign control dismays nationalists.

The University of Toronto for one is considering whether to challenge the deal. The 1972 agreement under which the university sold Connaught to Canada Development Corporation contains commitments preventing CDC from selling control to a foreign-owned company. But the university, which still maintains strong research and development ties with Connaught, said its concerns were "larger than just the agreement."

A further twist is the ownership of IM itself. Since 1967 the company has been majority owned by Rhône-Poulenc, the French state-controlled chemicals and drugs group.

While IM cherishes its independence on a day-to-day basis, the convergence of technologies is bringing it closer to its parent, which consolidates 100 per cent of IM's sales into its accounts. Indeed RP, with its 50.3 per cent stake in IM, sees it as an important complement to its own efforts in biotechnology, and views the Connaught deal as an indirect boost to its attempts to beef up its North American presence.

Despite the anxieties in Canada, both companies are of one mind on the benefits which the deal will bring. Mérieux-Connaught, with 1988 pro-forma sales of FFr2.42bn, will have 25-30 per cent of the world human vaccine market outside Japan. Geographically, the companies fit together almost perfectly, with Connaught's strength in North America – it has 19 per cent of the US vaccines market – matching that of IM's in Europe and elsewhere.

The aim is to achieve marketing synergies by using the companies' existing networks to sell IM products in North America and Connaught products in western Europe. Mr Martin says that in the short term IM needs a sales organisation in the US market, for which it is developing five vaccines. It hopes to get two licensed this year, a polio vaccine and its Trimovax measles/mumps/rubella vaccine.

On research and development, the two companies are currently duplicating efforts on vaccines for diseases such as hepatitis and whooping cough and the hope is that the overlap can be eliminated, freeing more funds for innovative research programmes.

Some details of the deal remain hazy, and both companies agree that the financial benefits will take two or three years to emerge.

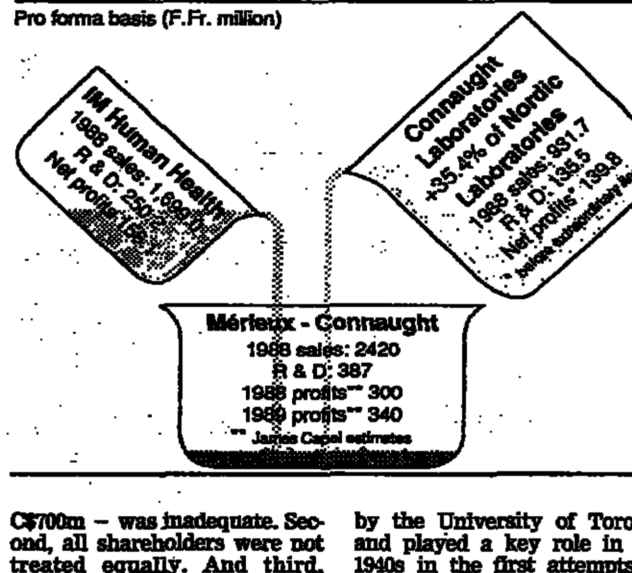
However, with the human vaccine market growing at an estimated 10 per cent a year, IM and Connaught hope the deal will provide a shot in the arm for profits in future years. James Capel estimates the new company will have net profits of FFr340m this year, up from a pro-forma FFr300m in 1988 before any added extraordinary items.

That might go a little way to justifying the fancy price-earnings ratios for both companies, particularly IM. Despite the Canadian company's better recent profit record – net earnings after extraordinary items rose nearly 20 per cent in 1988 to C$30.8m on revenues of C$224.3m – its rating is around half that of IM's p/e of about 37.

That, in turn, owes a great deal to market enthusiasm over prospects for Imuthiol, which has contributed about FFr2,000 of speculative froth to IM's share price of around FFr6,200, according to Mr Martin. IM is cautiously optimistic about Imuthiol, which works on a different principle to Wellcome's Retrovir by boosting the body's general immune system.

Elements of the new compound

Pro forma basis (F.Fr. million)



Ansett Airlines suspends threat to shut NZ arm

By Dai Hayward in Wellington

ANSETT AIRLINES, the privately-owned Australian carrier, has suspended a threat to shut its New Zealand operations in protest at the Wellington Government's sale of Air New Zealand to a consortium led by Qantas, Australia's state-owned airline.

Sir Peter Abeles, Ansett chairman, announced this yesterday after talks with Mr David Lange, the Prime Minister. Mr Lange will ask the consortium to delay signing the purchase agreement for a week once the Commerce Commission, New Zealand's antitrust regulator, has released its report clearing the way for the sale.

The delay will enable Ansett to study the report, which is due for release in around a fortnight. Sir Peter said he now hoped they could solve Ansett's complaint, which was that it faced substantial loss of business from those Qantas' international passengers formerly fed on to Ansett's New Zealand domestic route.

Meanwhile, a one-day pilots' strike will go ahead today, but with some doubt whether Ansett pilots will participate. The strike is over the resistance of airlines to the pilots' efforts to obtain a single industry agreement instead of the existing separate agreements covering each airline.

Malaysian steel maker bids for troubled MPH

HUME INDUSTRIES, a Malaysian concrete and steelmaker, has launched a general offer for Multi-Purpose Holdings (MPH). This company is controlled by the Malaysian Chinese Association, the second largest party in the country's ruling coalition, Reuter reports from Kuala Lumpur.

MPH is recovering from massive losses made in 1986 due to fraud and mismanagement. The deal values the company at 1.13bn ringgit (US$412m).

Hume will pay 500 ringgit in cash and 1,000 ringgit in redeemable convertible loan stock for every 1,000 shares of MPH, financed partly by a three-for-two rights issue by Hume.

INTERNATIONAL COMPANIES AND FINANCE

Chemical Bank net slides to $117.9m

By Anatole Kaletsky in New York

CHEMICAL BANKING yesterday became the second big US bank group to report a decline in first quarter profits. Chemical, which ranks sixth in terms of assets among the US banks, made net profits of $117.9m or $1.49 a share, compared with $125.5m or $1.95 in the first quarter of 1988.

J.P. Morgan, the fourth biggest US bank, reported a 36 per cent fall in earnings on Wednesday.

In Chemical's case the decline in total profits was only six per cent, but earnings per share fell by 25 per cent, due to the issue of 7m shares last December as part of the company's balance sheet strengthening efforts.

Chemical's net interest income rose by $18.1m, or three per cent, to $597.8m, but this improvement was largely due to last year's exclusion of interest payments from Brazil. Brazilian interest payments in the latest quarter were $17.6m.

Chemical's results this year were also improved by somewhat lower provisions for loan losses. Provisions in the latest quarter were $90.7m, compared with $105.6m the year before.

The company's non-interest income fell by 4 per cent to $330.8m, with lower foreign exchange, investment security and other trading profits more than offsetting a 16 per cent advance in fees and commissions.

Non-interest expenses rose by 8 per cent to $642.2m, mainly because of higher salary and occupancy costs connected with Chemical's acquisition of Horizon Bancorp of New Jersey.

Expenses at the group's principal subsidiary, Chemical Bank in New York, fell by 2.8 per cent.

Overseas surge lifts Coca-Cola

By James Buchan in New York

COCA-COLA, the world's largest maker of soft drinks, reported a surge in profits for the first quarter of this year as it reaped the benefits of heavy investment in its overseas business.

The 26 per cent rise in first quarter earnings per share outstrips Coke's average annual growth for the last three years of 18 per cent and seems to justify Wall Street's recent enthusiasm for the company. Mr Robert Goizueta, chairman of the Atlanta company, said: "The strength and momentum of our soft drink business is demonstrated by our excellent first quarter results."

Coke said yesterday that its after-tax income in the three months to March rose 23.4 per cent from a year earlier to $259.5m on a 6.2 per cent increase in sales to $1.98bn. Earnings per share rose 26.3 per cent to 72 cents, in part because the company bought 5m shares from its investors.

A big factor in the improvement was an increase of 8 per cent in volume overseas, where Coke has been investing heavily in its bottling and distribution network. In the US, where per capita soft drink consumption is much higher, retail case sales increased a more sedate 5 per cent.

According to Mr Goizueta: *"The company's sharp focus on expanding our soft drink infrastructure resulted in a world-wide retail case sales gain of 7 per cent."*

In its foods business, Coke reported big gains in volume in the highly competitive market for orange juice. Volume in chilled orange juice increased 31 per cent and in frozen orange juice 9 per cent.

The results also reflected a sharp improvement in contributions from Columbia Pictures Entertainment, the Hollywood film studio of which Coke owns nearly half. Equity income was $1.93m against a $50.3m loss in the first quarter of 1988 when Columbia Pictures booked non-recurring charges to profits.

Intel income brightens in first quarter

By Louise Kehoe in San Francisco

INTEL, the US semiconductor manufacturer, reported significantly higher than expected earnings for the first quarter, reflecting some strengthening in the US semiconductor market.

First quarter revenues totalled $712m, up from $536m a year ago. Net income for the quarter, ended April 1, was $97m, up slightly from $94m in the same period last year.

Earnings per share declined to 52 cents from 54 cents last year as a result of an increased number of shares outstanding. Analysts had forecast earnings per share of around 35 cents for the quarter.

In January Intel had said it expected first quarter net income to decline. But yesterday the company said that strong sales in March, along with cost savings and good production performance, had improved its earnings.

"The outlook brightened as the quarter progressed," said Mr Andrew Grove, president and chief executive officer.

"Both equipment manufacturers and distributors increased their orders compared to fourth quarter levels."

Mr Grove cautioned, however, that short-term orders accounted for a higher than normal portion of its first-quarter business. Coupled with a low backlog of orders, this means that the company's ability to predict future sales is limited.

In recent weeks Intel has announced several important new products including two microprocessors, one aimed at the market for high performance workstations and minicomputers, and the other at the personal computer market.

Intel's new chips should protect its leadership position in the microprocessor market, industry analysts predict. Although neither of the new products is expected to ship in large quantities this year, the company's ability to extend the performance of its microprocessors is a major competitive advantage.

Government forex freeze pushes Clal into red

By Hugh Carnegy in Jerusalem

THE CLAL Group, Israel's biggest privately-owned industrial group, yesterday announced its first full year loss, reporting a Shl 34.5m ($21.5m) loss for 1988 after a Shl 34m profit in 1987.

The group, whose range of interests include electronics, textiles, construction and insurance, blamed a 24-month government freeze on the shekel foreign exchange rate for most of the damage to its export-reliant businesses. The shekel was finally devalued by 12 per cent in two stages in December and January.

"If devaluation had taken place a year earlier as economic conditions demanded, then group sales and income would have been larger than the growth of expenses and the group would have ended 1988 with a substantial profit," said Mr Aharon Dovrat, group president. Total group sales for 1988 were $2.5bn, up from $2.2bn in 1987 with exports up 13 per cent in real terms at $500m.

Mr Dovrat also acknowledged that a general slowdown in domestic demand had had its effect, as had the Palestinian uprising in the Israeli-occupied West Bank and Gaza Strip which especially hit sales of textiles and clothing in the territories.

The main loss-makers in the group were Urdan, a steel maker which incurred heavy one-off losses as a result of restructuring, the textile interests Kitan and the newly acquired Polgat, and the construction interests. Good performances came from ECI Telecom and Scitex, a top image reproduction system maker in which Mr Robert Maxwell acquired a 22 per cent holding for $39m last year.

Mr Dovrat predicted a return to profitability this year.

Gannett rises marginally

By Karen Zagor in New York

GANNETT, the big US media group which publishes USA Today, yesterday reported a marginal increase in first-quarter earnings.

Net income for the quarter ended March 26 was $74.9m or 47 cents a share compared with $74.0m or 46 cents a share the previous year.

Operating revenues increased 8 per cent to $817.6m from $757.9m, while operating income for the period jumped 24 per cent to $145m from $117m a year earlier.

The results for the 1988 quarter included a pre-tax gain of about $45m resulting from Gannett's sale of its stock in Cowles Media for $128m.

Mr John Curley, chairman, president and chief executive, said: "Operating income posted its strongest advance since the fourth quarter of 1984, reflecting a stronger retail advertising environment and favourable supply conditions for newsprint."

Gannett, which publishes 85 daily newspapers, said newspaper advertising sales rose 7 per cent in the quarter, while circulation revenues rose 4 per cent.

Newspaper advertising lineage rose 2 per cent.

The Washington DC-based company said that advertising revenues at USA Today advanced 6 per cent during the quarter because of advertising rate adjustments and a higher rate base.

The actual number of advertising pages fell to 896 from 977, but the 1988 period had been bolstered by special advertising sections for the 1988 Winter Olympics.

On the broadcasting side, revenues rose 10 per cent. Revenues from the company's radio stations advanced 14 per cent.

Havas beats its forecasts

By George Graham in Paris

HAVAS, the French advertising and media group privatised two years ago, has reported a 35 per cent increase in net profits to FFr746m ($117m), up from its earlier provisional estimates which had already been revised upwards twice.

The group said it had recorded strong gains in all its activities, with turnover up 15 per cent to FFr15.8bn and pre-tax operating profits up 51 per cent to FFr1.15bn.

It had said in December that its profits for 1988 would total FFr700m, but revised the figure to FFr720m in February.

Canal Plus, the pay television station in which Havas has a 24 per cent stake, reported a 52 per cent increase in profits to FFr619m; and Eurocom, Havas's 43 per cent-owned advertising and marketing subsidiary, announced a 55 per cent increase in net profits to FFr144.1m earlier this week.

Havas said yesterday that the budgeting plans of its subsidiaries and performance observed so far this year suggested that operating profits would rise by 15 per cent this year. The dividend will rise by 38 per cent to FFr11 a share.

A P Moller boosts payout

By Hilary Barnes in Copenhagen

THE A.P. Moller shipping and industrial companies yesterday reported a 19 per cent increase in 1988 net profits to DKr1.02bn ($139m) from DKr855m a year earlier. Profits of DKr620m were realised on sales of securities and ships.

The dividend in the twin parent companies, D/S af 1912 and D/S Svendborg, will be increased to 33 per cent from 30 per cent.

The Moller companies include the shipping partnership, best known under the Maersk name, oil and gas production from the North Sea, *shipbuilding, air transport*, manufacturing and retailing.

Moller said that expansion would continue in 1989 but that the considerable optimism about shipping expressed in some quarters is exaggerated and that developments this year are difficult to predict. Conditions in shipping were better last year, said Moller, but not generally satisfactory, with global container capacity exceeding demand.

The companies – which are not consolidated into a group – report no turnover figures, but gross operating profits increased from DKr2.74bn to DKr2.98bn and earnings after depreciation from DKr1.08bn to DKr1.33bn.

● **Monberg & Thorsen**, the construction, pharmaceuticals, *paints and rubber products* group, reported an increase in pre-tax profits to DKr130m from DKr104m the previous year. Turnover rose to DKr4.36bn from DKr4.35bn.

Raytheon starts on firm note

RAYTHEON, a leading US manufacturer of air defence missile and radar systems and other military electronics products, has begun the year on a relatively firm note, writes **Our Financial Staff.**

Earnings for the first quarter increased by 6.6 per cent to $120.8m or $1.83 a share from $113.3m or $1.68 *for the corresponding period last year*. Sales improved to $2.07bn from $1.95bn last time.

Earnings per share for the whole of 1988 amounted to a record $7.35, achieved on peak sales of $8.19bn.

The directors said that provisions for federal and foreign income taxes in the latest quarter totalled $53.3m, as against $49.6m in the first quarter of 1988.

Nintendo moves ahead 15.2%

By Our Financial Staff

NINTENDO, the Japanese maker of video games which is engaged in an antitrust battle with US rivals, lifted pre-tax profits 15.2 per cent to Y13.5bn ($101.5m) in its first half to February. Sales rose 47.1 per cent to Y118.1bn.

The results were for the Kyoto-based parent company – the considerably larger consolidated group includes Nintendo America, which in December became involved in lawsuits with Atari Games. Nintendo's net earnings per share rose from Y192.80 to Y193.02. It is paying an interim dividend of Y25, up from Y24.

INTERNATIONAL CAPITAL MARKETS

Korean banks face probe into currency activities

By Maggie Ford in Seoul

A TEAM of investigators from the South Korean central bank has been despatched to a small provincial bank following revelations that it has incurred foreign exchange losses of Won30bn ($45m).

The losses at Kwangju Bank, based in the south-west, appear to have wiped out more than half the bank's net worth of Won50bn. The case is the first reported significant loss in South Korea from "zaitech," or financial engineering.

Officials from the Office of Bank Supervision are to launch an urgent survey of all banks, especially the smaller provincial ones, to check their exposure to the foreign exchange market.

Banks and industrial companies have been dealing on foreign exchange markets in South Korea for about three years, initially to hedge against currency movements related to trade but increasingly to make profits.

South Korea imports a substantial amount of parts, machinery and other goods from Japan in yen and conducts most of its export business in dollars. Kwangju Bank appears to have miscalculated movements in these two currencies over the past six months.

Dealers in Seoul said yesterday that the bank's main dealer had boasted he was the largest volume dealer in Seoul and acted "like a poker player" who was too proud to admit his losses.

They pointed out, however, that senior management of a small provincial bank was unlikely to have the expertise or professionalism to understand the mechanisms or extent of the dealing, or the possible losses involved.

Due to strict financial controls in South Korea, banks and companies involved in foreign exchange dealings operate through branches of foreign banks.

A senior executive of a British bank said yesterday that the branch had effectively stopped conducting business with Kwangju Bank last year following concern over the high volume of deals and the expertise of the dealer.

One dealer estimated that the bank might have had as much as $500m exposure at one stage and that the chief dealer had been trying initially to cover fairly small losses by rolling over transactions, eventually getting into an even worse position.

Observers believe the Government is likely to mount some sort of rescue plan for the bank, which is located in a politically sensitive city. More than 200 people were killed by the military in Kwangju during a 1980 revolt against the regime of Mr Chun Doo Hwan, the former president.

The revelations of losses come at a time when the South Korean banking sector is looking forward to a more professional and profitable future after years of acting as lenders controlled by the Government.

All the banks have raised their capital on the burgeoning stock market in the past year and are gradually making provisions for bad debts incurred over the years. Combined net profits of the seven main commercial banks were up 81 per cent last year at Won475bn.

Kwangju Bank recorded net profits of $5.6m last year on revenue of $19.3m, compared with a 1987 profit of $1.8m on revenue of $5.8m.

The Bank of Korea, the central bank, already imposes limits on foreign exchange transactions and is likely to introduce rules to protect Kwangju Bank's shareholders.

It is unclear whether the bank's reported losses will affect any foreign banks, although several US and European banks are reported to have engaged in transactions on its behalf.

Politician to head German Citibank

By Haig Simonian in Frankfurt

MR Günter Rexrodt, West Berlin's former Finance Minister, is to become chief executive of Citibank's West German subsidiary from the beginning of next year.

Mr Rexrodt, who was ousted from power after January's elections in the city state, is to join the bank next month. He will work at its New York headquarters before joining its German operations in Frankfurt.

According to the bank, Mr Rexrodt's appointment is part of a strategy to improve its position in Germany, particularly in relation to big customers.

Mr Rexrodt, who is on the right wing of the Free Democratic Party, took over the Berlin Finance Minister's post in March 1985. Since then he has tried, with some success, to develop the city's position in financial services, encouraging the creation of a venture capital business and fighting hard with the Bonn Government to retain its special tax privileges.

Mr Rexrodt, who came to international attention last September during the joint meetings of the IMF and World Bank in West Berlin, studied banking and finance and is on the supervisory boards of a number of institutions.

Goodman credit rating downgraded

By Chris Sherwell in Sydney

GOODMAN Fielder Wattie, Australasia's largest food group, has had its credit rating downgraded, partly because of the burden of its 29.9 per cent holding in Ranks Hovis McDougall of the UK.

Australian Ratings, the Melbourne-based agency, lowered the group's rating from A minus to BBB, and its commercial paper from A1 to A2.

But the company insisted that the move had no impact on its ability to fund its activities, and pointed out it was based on information long available to the market.

According to Australian Ratings, Goodman Fielder Wattie's earnings from its core businesses have shown slippage, in spite of its strong market position in a stable industry. Compounding this are "sensitivities regarding capital adequacy and liquidity due to sizeable equity positions not under Goodman Fielder Wattie's control."

It points out that the group's Ranks holding, together with its 19 per cent stake in Elders IXL held jointly with the AFP group, represents an exposure to share markets equivalent to about 65 per cent of shareholders' funds and 25 per cent of tangible assets.

Goodman Fielder Wattie's investment in Ranks stems from last year's aborted £1.7bn ($2.8bn) takeover bid.

SEC approves Amex equity index trading

THE American Stock Exchange has received approval from the Securities and Exchange Commission to trade equity index participations as soon as possible, Reuter reports.

Amex said it would list the index participations on the Standard & Poor's 500 composite stock price index and the exchange's own major market index of 20 leading blue-chip stocks. The Options Clearing Corporation has been designated as issuer and guarantor of the products.

The SEC has now approved index participations trading by three exchanges — Amex, the Philadelphia Stock Exchange and the Chicago Board Options Exchange.

The Chicago Mercantile Exchange and the Chicago Board of Trade, the two largest futures exchanges, have filed suit challenging the SEC's authority to approve the instruments.

The futures exchanges contend that index participations are actually thinly disguised stock-index futures contracts. The legal action is still pending.

Portuguese bank launches Es18bn rights

By Diana Smith in Lisbon

BANCO Comercial Portugues (BCP), the fastest-growing bank in Portugal's private sector, is launching a rights issue to increase capital from Es12bn to Es30bn ($192m).

Racing to dent the market of the entrenched state-run banks, BCP was founded in 1986 by Oporto business groups. It went public in 1987.

It has built up a network of 21 branches and plans to continue heavy investment in new premises.

This week's Es18bn rights issue — one of the largest on the small Portuguese stock market — is being made on a one-for-one basis.

BCP reported a 1988 operating profit of Es6.7bn and is anticipating profits of Es9bn this year.

BCP recently started an offshore operation on the Portuguese island of Madeira, to increase its international operations.

Japan bond auctions to be computerised

THE Bank of Japan will introduce next year an on-line computerised system for buying and clearing government bonds, Reuter reports.

A central bank official said the new system would allow about 400 eligible dealers, including about 70 foreign firms, to bid at auctions directly from on-line terminals. It would also speed up back-office procedures.

The system will initially be applied to the auction of 20-year government bonds, two- to five-year middle-term notes and six-month Treasury bills. It is then likely to be applied to 10-year bonds.

● Dealers are to hold talks on reform of Japan's secondary bond market aimed at easing concerns among foreign firms that the market is not operating transparently enough.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 13

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†92⅞	92⅞	0	-0⅛	10.61
B.F.C.E. 7 92	150	91½	92	0	-0⅛	10.36
B.F.C.E. 9¼ 95	150	95¾	96¼	0	-0⅜	10.09
Brit. Tel. Fin. 9⅜ 98	250	96	96½	0	-0⅝	9.98
Canada 9 96	1000	96⅛	96⅞	0	-0⅝	9.69
Canadian Pac 10⅜ 93	100	–	–	–	–	–
C.C.C.E 9¼ 95	300	96¼	96⅝	-0⅛	-0⅛	10.09
C.N.C.A 9⅜ 93	150	96⅞	97⅜	-0⅛	-0⅞	7.13
Credit Lyonnais 9 91	200	†97⅞	98⅛	0	0	10.22
Credit National 8¼ 93	200	93⅝	94	-0⅛	-0½	10.26
Credit National 7⅜ 92	100	92⅛	†92⅞	0	-0¼	10.33
Credit National 9½ 92	160	98½	99⅛	0	-0¼	9.89
Dai-Ichi Kan 9⅝ 92	150	97⅞	98⅛	0	0	10.30
Denmark 7⅛ 92	500	92	92⅞	0	-0¼	10.40
E.E.C. 7 91	100	92⅝	93¼	0	-0¼	10.18
E.E.C. 7¼ 93	250	90⅝	91⅛	-0⅛	-0⅜	10.20
E.E.C. 8 90	350	†96⅝	97⅛	0	-0¼	10.65
E.I.B. 7⅝ 93	100	90½	91	-0⅛	-0¼	10.19
E.I.B. 9⅜ 97	150	96⅜	96⅞	-0⅛	-0⅜	9.99
Elec. De France 9 98	200	94¼	94⅞	-0⅛	-0½	9.95
Finland 7⅞ 97	200	88⅜	88⅞	0	-0½	10.03
Finn. Exp. Cd. 8½ 92	200	95¼	95⅝	0	-0⅜	10.40
Finn. Exp. Cd. 9⅜ 95	200	96	96½	0	-0½	10.16
Ford Motor Credit 8 91	250	†95⅝	96⅛	0	-0¼	10.44
Gen. Elec. Cap. Corp. 9 93	500	95½	96⅛	0	-0⅜	10.17
Gen Elec Credit 10¼ 00	200	99⅝	100⅛	0	0	10.26
Gen. Mtrs. Corp. 9⅛ 92	200	96⅜	96⅞	+0⅛	-0¼	10.36
Halifax BS 9½ 93	200	†96⅞	97⅜	0	-0¼	10.36
IBM Credit Corp. 8⅞ 91	250	97⅛	97½	-0⅛	-0⅛	10.10
IBM Credit Corp. 9½ 92	250	98½	99⅛	+0⅛	-0¼	10.00
Italy 9½ 95	1000	97⅛	97⅝	0	-0½	10.04
Italy 9⅝ 99	1000	97⅛	97⅝	-0⅛	-0⅝	10.05
L.T.C.B of Japan 8 91	100	94⅝	95⅛	0	0	10.54
L.T.C.B. of Japan 9¼ 92	200	96⅝	97⅛	0	-0⅜	10.26
Metropolis Tokyo 9½ 93	200	98	98½	0	-0⅜	10.05
Nippon Tel.&Tel. 9⅜ 98	250	96⅜	96⅞	+0⅛	-0¼	9.92
Norway 8⅞ 93	500	95⅝	96⅛	-0⅛	-0¼	10.07
Portugal 8¼ 91	300	†95⅝	96⅛	0	-0¼	10.70
Prudential Crp. 8⅞ 94	125	95	95⅜	0	0	9.96
Qantas Airways 10⅜ 95	140	100⅜	101⅛	0	-0⅝	10.13
Saskatchewan 10⅜ 92	100	100⅝	101⅛	0	-0⅝	10.36
State Bk S Aust 9¼ 93	100	96⅛	96⅝	0	-0½	10.38
Sumitomo Bank 9⅝ 92	150	97⅝	98⅛	0	-0¼	10.34
Swed Exp Cred 7¼ 91	100	†93⅛	93⅝	0	-0¼	10.17
Sweden 7 91	250	92⅞	93⅜	0	-0¼	10.23
Sweden 8⅞ 96	200	93⅞	94⅜	0	-0⅝	9.96
Sweden 8½ 92	200	†95	95½	0	-0½	10.21
Toyota 9½ 91	200	97⅝	98⅛	0	0	10.40
Victorian Rep 11⅜ 92	150	102⅝	103⅛	0	-0½	10.46
World Bank 7 92	300	†92⅝	93⅛	0	0	10.03
World Bank 9 97	300	94¼	94⅜	-0⅛	-0½	9.98
World Bank 9¼ 98	300	95⅞	96⅛	-0⅛	-0⅝	9.90
World Bank 9⅝ 99	500	98	98½	0	-0⅝	9.90
Yasuda Trust Fin 8½ 93	100	†93⅛	93⅞	0	-0⅞	10.43

Average price change... On day 0 on week -0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	96⅛	96⅝	-1½	-1½	6.75
Austria 6⅜ 99	750	†98⅛	99	-0⅛	-0¼	6.91
Bank of Tokyo 5¼ 93	100	97⅜	97⅞	+0⅝	+0⅝	6.46
Commerzbank o/s. 5⅛ 93	300	96	96⅜	-0⅜	-0⅜	6.53
Credit Foncier 6⅜ 99	500	†98½	98⅞	-0⅛	-0½	7.95
Degussa Int. 6⅛ 97	200	96⅛	96⅝	0	+1	6.70
E.I.B 5½ 98	150	90⅞	91¼	-0⅜	-0½	6.87
E.I.B. 6¼ 99	600	95⅜	95⅞	-0⅛	-0⅛	6.89
E.I.B. 6⅛ 96	300	96½	97	-0⅜	-0¼	6.70
E.I.B. 6½ 99	300	†97⅛	97½	-0½	-0½	6.89
E.I.B. 6⅞ 95	300	100⅛	100⅝	-0⅛	-0⅝	6.77
Euro. Coal& Steel 5⅞ 97	175	94⅛	94⅝	-0¼	-0⅜	6.80
Eurofima 6¼ 96	100	97¾	98⅛	-0⅛	-0⅜	6.60
Elec De France 5⅞ 97	300	94⅛	93⅞	-0⅛	-0⅝	6.81
Forsmark Krtg. 5⅜ 93	200	94⅛	94⅝	-0⅜	-0⅜	6.82
Hydro-Quebec 6⅜ 99	300	†98⅞	99⅛	-0⅛	-0¼	6.91
Japan Dev. Bk. 5⅞ 95	300	†93⅞	94⅛	+0⅛	+0⅞	6.61
Japan Finance 5⅜ 97	100	93⅛	93⅝	0	0	6.84
Ireland 6½ 97	300	97⅛	97⅝	+0⅛	-1	6.93
Malaysia 6⅛ 94	150	100⅛	101⅛	0	0	6.01
Nat. West BK. PLC 6 98	300	†94	94½	-0⅛	0	6.87
N.H.L. Finance 6¼ 93	200	†95⅛	96¼	0	+0⅛	7.02
Nippon Telg.&Tel. 6 95	400	†97⅛	97⅝	-0⅜	-0⅜	6.26
Oesterr. Kontbk. 5 93	300	95⅞	96⅛	+0⅛	+0⅛	6.17
Portugal 5⅞ 92	150	97⅛	98⅛	+0½	+0½	6.43
Portugal 6⅝ 95	150	98⅝	99⅛	-0⅛	0	6.82
Privatbanken 5⅛ 93	150	95⅛	95⅝	-0½	+0⅝	6.60
Royal Insurance 5½ 92	300	97⅛	97⅞	0	-0⅛	6.40
Soc Cent Nuclear 7¼ 95	150	100⅞	101⅜	-0⅛	+0⅛	7.01
Turkey 6½ 95	500	†97	97½	0	+0¼	7.07
Union Bk. Finland 5½ 94	200	†94⅛	94⅝	-0⅛	-0⅛	6.88
Westlb. Finance 5 93	200	*94⅞	95⅛	0	-0⅜	6.45
World BK. 6¼ 97	600	96⅞	97⅛	-0½	-0⅝	6.95

Average price change... On day -0¼ on week -0¼

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†94⅛	95½	0	-0⅛	5.86
Asfinag 5 03	100	†90	90⅛	-2⅛	-4⅛	6.04
B.F.C.E. 4½ 98	200	†90	91	-0¼	-1⅛	5.86
B.M.W. Fin. Neth. 5 13	150	†84½	85½	-0½	-2⅞	6.22
Britannia B/S. 4¼ 94	100	†92	93	+0⅜	-1⅛	5.98
CIR. Int. W/W 3 93	125	†92⅛	93	0	+0½	4.89
Credit Lyonnais 4¼ 00	100	†87	87¼	-2¼	-3⅛	6.40
E.I.B 4⅝ 98	150	†89½	90½	-1⅛	-2⅛	6.07
Fletcher Chall. 4⅞ 98	150	†86⅛	86⅛	-0⅝	-4	6.94
Kobe City 4⅝ 98	150	†90½	92	-0⅛	-2	5.88
Leeds Perm. B/S. 4⅛ 93	200	†91½	92	+0⅛	-0⅛	6.53
Malaysia 5⅛ 98	100	†93	93⅛	-0½	-1⅛	6.25
Maxwell Comm. Crp. 5 95	150	†93	94	-1	-1½	6.30
Nat. Bk. Hungary 5⅛ 94	75	†96	97	-0⅜	-0⅛	6.24
Nationwide Ang. B/S. 4 93	200	†92	92½	0	-0¼	6.15
Nippon Telg.&Tel. 4¼ 95	200	*94⅛	94⅞	0	-0⅜	5.23
Oesters. Ktbk. 5 03	75	†92	93½	0	-2	5.75
Prov. Newfoundland 5 03	150	†94⅛	94½	-0⅛	-0⅝	5.57
Thailand 4⅝ 95	200	†92	93	-0⅜	-1⅛	6.10
World Bank 5 03	150	†94½	95⅛	+0⅛	-1	5.51

Average price change... On day -0½ on week -1⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅜ 91	80	101⅛	102	-0⅛	-0⅛	5.10
Canada 5⅝ 93	80	101⅞	102⅛	-0⅛	0	5.08
Eurofima 5 1995	20	98⅞	99⅜	-0⅛	-0⅛	5.17
E.I.B. 4⅞ 93	30	98⅜	99	-0⅛	-0⅜	5.24
Ireland 5⅛ 93	30	99⅛	100⅛	0	0	5.12
Norway 5⅛ 95	50	99⅝	100	-0⅛	-0½	5.15
Sweden 4⅝ 93	50	97⅞	98⅛	-0⅛	-0⅛	5.18
World Bank 5⅛ 98	10	99⅛	99⅛	-0⅛	-0⅛	5.23
World Bank 7 94	20	107⅞	108⅛	-0⅛	0	5.16

Average price change... On day -0⅛ on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10⅛ 95 £	50	95	95½	-0⅜	-1⅛	11.84
Abbey Nat. 11⅜ 95 £	100	97⅞	98⅜	-0⅜	-1⅛	12.10
Alg. Bk. Ned. 5½ 92 Fl	150	95⅛	95⅝	0	0	7.30
Alg. Bk. Ned. 5⅞ 93 Fl	200	96⅝	97⅛	-0⅛	-0⅛	6.68
Austria 7½ 94 ECU	100	95⅛	95⅝	+0½	-0⅛	8.65
Bk. Nova Scot. 14⅜ 90 A$	75	95⅛	96⅛	0	+0⅛	17.12
Barclays Aus. 13½ 91 A$	100	95½	96	+0⅛	0	15.55
BP Capital 9⅞ 93 £	100	92⅛	93⅛	-0⅛	-0⅞	12.06
British Airways 10 98 £	100	90⅛	91⅛	-0⅛	-1⅛	11.67
Buhrmann-Tet. 6⅜ 93 Fl	100	96⅜	97⅜	0	+0⅛	7.17
Comm. Bk. Aust. 12⅝ 93A$	100	92⅛	92⅝	+0⅛	-0⅛	14.13
Coop. Ctr. Rabo. 6⅛ 93 FL	100	98⅛	99⅜	0	+0⅛	6.51
Coop. Ctr. Rabo. 6 92 FL	200	97⅛	98⅛	0	0	6.74
Dixons 11 95 £	90	†95½	96	-0½	-1½	11.82
Deut. Bk. Aus. 13⅜ 93 A$	125	97½	98⅛	+0⅛	+1	14.00
Eastman Kodak 13 90 A$	100	94⅛	94⅞	-0⅛	-0⅞	17.55
E.I.B. 7 96 LFr	100	†97⅛	98⅛	0	0	7.43
Elec. France 10⅛ 95 C$	125	†96	96½	0	+0⅛	11.11
Euratom 7⅞ 97 ECU	145	91½	92	+0⅛	0	8.85
Fed. Bus. Dv. Bk. 9⅞ 92 C$	75	†95⅛	95⅝	0	0	11.56
Fed. Bus. Dev. Bk. 10⅛ 93	50	96½	97	0	+0⅛	11.48
Ford Cr. Can. 10⅜ 93 C$	100	†97⅛	97⅝	0	0	11.57
Ford Cred. Can. 10⅞ 96C$	125	97⅞	97⅜	-0⅛	0	11.41
Ford Mtr. Cred. 7½ 91ECU	100	†96⅛	96⅜	+0⅛	0	9.04
G.M.A.C. 9⅞ 93 C$	150	†93⅞	94⅛	0	-0⅝	11.68
Honda Intl. 7⅞ 93 Ecu	100	†96⅛	97⅛	+0⅛	+0⅛	8.67
Hydro-Quebec 11 99 C$	400	98½	98⅞	0	+0⅛	11.22
Lloyds Bank 10⅛ 98 £	150	91⅛	91⅝	-0⅛	-1⅞	11.84
Lloyds Bank 11⅜ 98 £	100	95½	96	-0⅛	-2⅛	12.12
Montreal Tst. 10⅜ 93 C$	100	†96⅛	96⅝	0	+0⅛	11.81
Morgan Guar. Tst. 11 91 C$	150	98⅝	99⅛	0	+0⅛	11.67
Nat. Aus. Bk. 14⅜ 94A$	100	97⅞	98⅛	-0⅛	+0⅛	15.36
Ned. Midd. Bank 6 92 Fl	150	96⅛	96⅝	0	0	7.35
New Zealand 9½ 93 £	100	92	92½	-0⅛	-0⅝	12.02
New Zealand 7⅞ 93 ECU	200	96⅛	97⅛	+0⅛	-0⅜	8.68
Philips Gleoil. 6 93 FL	300	97⅛	97⅝	0	+0⅛	6.75
Privatbanken 7⅜ 94 LFr.	500	†98⅛	99⅛	0	0	7.81
Royal Bk. Scot. 10⅛ 98 £	125	93½	94	-0⅛	-2	11.84
Saskatchewan 9⅞ 91 C$	150	†96	96½	0	+0⅛	11.79
Saskatchewan 10⅛ 93 C$	200	96⅛	96⅝	0	+0⅝	11.27
State Bk. NSW. 13⅜ 93A$	100	94⅛	94½	-0⅛	-1⅛	15.63
Sweden 15 94 A$	100	101⅛	101⅞	+0⅛	-0⅛	14.50
Union Bk. Switz. 7½ 93	150	†96⅛	97⅛	+0⅛	+0⅛	8.36
World Bank 5⅜ 92 FL	100	97⅜	98	0	+0⅛	6.61
World Bank 13⅜ 92 A$	100	†99	99½	-0⅛	+0⅛	13.60
Zentrspk. 13⅛ 93 A$	75	95⅛	96⅛	0	-0⅛	14.54

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.75	99.81	18/04	13.21
Belgium 91 US	0	100.04	100.14	19/08	10
Chase Manhattan Crp. 91 US	0¼	99.37	99.62	20/08	9.94
Chelt. & Gloucester 94	.063	99.78	99.83	30/05	13.47
Citicorp 98 US	0¼	98.30	98.55	29/05	10.33
Credit Foncier 98 US	.063	99.92	100.02	20/04	8.44
EEC 3 92 DM	0	100.83	100.93	20/08	6.72
Halifax BS 94 £	.1	99.93	99.98	6/05	13.07
Intl. In Industry 94 £	0⅛	99.96	100.06	24/05	13⅛
Leeds Perm. B/S. 94 £	0⅛	100.04	100.09	13/04	13.37
Midland Bank 01 £	.1	97.92	98.33	7/05	13.1
Milk Mkt. Brd. 5 93 £	0⅛	99.90	99.95	30/12	12.06
New Zealand 5 97 £	.07	100.01	100.11	14/11	12.19
State Bk. New. 98 US	.188	100.22	100.32	11/08	9.94
Woolwich Equit. BS. 93 £	0⅛	98.96	100.01	13/04	13.37
Woolwich 5 95 £	0⅛	99.90	99.95	19/05	13.12

Average price change... On day +0.01 on week -0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	111⅛	112⅛	+0⅛	11.67
Amer. Brands 7⅛ 02 US	9/87	56.7	119	120	-0⅛	1.13
Ashikaga Bank 2⅛ 02 US	4/87	967.	136	137⅛	+0⅛	3.55
Asics 5 92 DM	12/83	472.7	242⅛	243⅛	+1⅛	5.58
CBS. Inc. 5 02 US	14/87	200.	98	99	+1⅛	6.70
Primerica 5½ 02 US	4/87	66.75	64⅛	65⅛	-0⅛	105.42
Eng. China Clay 6⅛ 03 £	9/88	4.8	106⅛	107⅛	-0⅛	0.45
Fujitsu 3 99 US	5/84	1186.	225⅛	225	-1⅛	-0.61
Land Secs. 6¼ 02 £	4/87	6.72	93⅛	94⅛	0	12.95
MCA Inc 5⅛ 02 US	9/87	69.62	94⅛	95⅛	+0⅛	16.04
Minolta Camera 2⅛ 94DM	2/86	1004.	117	117⅛	0	4.21
Mitsubishi Bk. 2⅛ 02 US	9/87	3157.	119⅛	121	-0⅛	7.80
Mitsui Trust 2⅛ 01 US	10/86	1903.	129⅛	130⅛	-2⅛	3.95
Next Plc 5⅛ 03 £	11/87	4.3	98⅛	99⅛	0	196.00
Nishi Nipp. Bk. 2⅛ 03 US	4/88	804.	117⅛	118⅛	-0⅛	5.30
Onoda Tateisi 2⅛ 02 US	4/87	1310.	255⅛	256⅛	-0⅛	-0.81
Ranks Hovis 4⅛ 03 £	[illegible]	3.5	112⅛	113⅛	+0⅛	5.23
Redland 7¼ 02 £	1/87	5.4	100	101	-0⅛	3.17
Saatchi & Saatchi 6¼ 03 £	10/89	4.41	93⅛	94⅛	-0⅛	39.58
Sumitomo Bank 3⅛ 04 US	2/89	4236.	89⅛	90⅛	-0⅛	14.82
Texas Inst. 2⅞ 02 US	9/87	82.87	73⅛	74⅛	+0⅛	53.52
W.R. Grace 6⅛ 02 US	9/87	42.12	93⅛	94⅛	+0⅛	19.09

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

COMPANY NOTICES

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Bunds burst into life on hopes for an end to withholding tax

By Katharine Campbell in London and Janet Bush in New York

NEWS that Bonn would be reconsidering the 10 per cent withholding tax imposed on German financial instruments since the beginning of this year caused a flurry of activity in bunds yesterday.

However, prices dropped towards the end of the day as initial euphoria gave way to more rational reflection as well as yielding some profit-taking opportunities.

GOVERNMENT BONDS

On Liffe, where a record number of contracts changed hands (in excess of 34,000), the June bund future closed at 93.66, 32 pfennigs stronger than Wednesday's close, but well off the highs of 93.93 seen mid-morning.

Germany has experienced a dramatic turnround in outward capital flows since the imposition of withholding tax was first mooted in October 1987, as foreigners have been deterred from buying bunds and German funds have sought alternative refuge.

Net outflows in 1987 were DM41.3bn, climbing to DM120.9bn last year.

Now the market is trying to assess the implications of a new and largely unknown face at the finance ministry.

While political observers had said that one condition of the acceptance by Mr Theo Waigel, the Christian Social Union leader, of the Cabinet position would be the abolition of withholding tax, statements by Chancellor Helmut Kohl during the day gave the market pause for thought as to whether the more likely outcome might not be minor readjustments, with a less marked impact on capital flows and hence on bond prices.

Prices fell back further as the Swiss National Bank raised both the discount and Lombard rates, and the Dutch central bank increased its rate on special advances.

Bond traders' immediate reaction tended to be to interpret this as portending a co-ordinated round of central bank tightening, even though both authorities, particularly the Swiss, are battling with a weak domestic currency and might be regarded as having adequate domestic reasons for such action.

In the next two weeks, while an agreement is forged at Cabinet level on the tax question, German bond prices will be volatile, though the news can only be positive.

With German bond markets largely preoccupied with Mr Waigel's stance on withholding tax, there was little discussion about other possible effects of the new regime.

However, one observer noted that he was expected to take a tougher stance on the D-Mark exchange rate, which would be beneficial for domestic bonds.

Mr Gerhard Stoltenberg, the former Finance Minister, had frequently been at odds with the Bundesbank on this point, adopting a considerably less hawkish view as to where the exchange rate should be.

THE reaction of the Dutch market, one haven for German funds since the withholding tax debate first opened, was hard to read yesterday. Not surprisingly, the expected new Dutch state loan was not issued.

Prices were some 5 cents stronger on the day, although they had risen as much as 40 cents earlier, reflecting considerable initial optimism that the effects of events in Germany would be positive for Holland.

However, a 10 basis point increase on special advances to 6.5 per cent from 6.4 per cent helped to knock the steam out of the rally.

US Treasury bonds drifted modestly yesterday morning – but then selling deepened towards the end of the session, ahead of today's batch of economic figures.

At midsession, prices had been quoted as much as ¾ point lower. At the close, they were around ½ point lower at the long end of the yield curve, taking the yield on the Treasury's benchmark long bond down to 9.15 per cent.

Any movements came in very thin trading ahead of today's March producer prices, industrial production and capacity utilisation figures and the February trade balance. A weaker dollar also exerted a negative influence.

However, there were two pieces of news yesterday which gave this extremely dull market some focus.

US retail sales rose 0.1 per cent in March, in line with expectations, while the 0.4 per cent decline in sales in February dropped to a 0.6 per cent fall in March. If anything, these figures should have been mildly positive for the market, but traders appeared to be more interested in preliminary evidence of car sales in April, due out later in the session.

The other economic development was news that the Swiss National Bank had raised its discount rate by ½ percentage point to 4.5 per cent and its Lombard rate by 1 percentage point to 7 per cent. This may have pressurised Treasuries.

This move came a day after March figures for West German wholesale prices. These accelerated to a rate of 5.8 per cent year on year compared with 5.4 per cent in February.

These developments underline that it is not just the US which is concerned about rising prices – there may be the prospect of higher interest rates in other industrialised countries as well.

WHEN the Irish government bond market fell ¾ of a point yesterday, many dealers attributed this to the German tax effect. But one broker was adamant that the 1½ point fall among long gilts over the past couple of days was more realistically attributable to a large and powerful domestic seller. Indeed some continental buying at the short end of the market was seen during the day.

UK gilt-edged securities chose largely to ignore capital flow considerations, concentrating instead on poor average earnings statistics, which further fuelled anxiety about inflationary pressures. On Liffe the June long gilts contract was almost a ½ point weaker on the previous settlement at 94-16 compared with 94-30.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	106-04	-9/32	11.29	10.93	10.59
		9.750	1/98	95-29	-9/32	10.47	10.21	9.96
		9.000	10/08	95-08	-10/32	9.42	9.32	9.04
US TREASURY *		8.875	2/99	97-01	-11/32	9.34	9.24	9.35
		8.875	2/19	97-02	-18/32	9.16	9.05	9.14
JAPAN	No 111	4.600	6/98	96.0900	-0.208	5.23	5.23	5.23
	No 2	5.700	3/07	106.2186	-0.001	5.04	5.04	5.05
GERMANY		6.375	11/98	96.4000	+0.375	6.89	6.89	6.96
FRANCE	STAN	8.000	1/94	96.0187	-0.090	9.05	8.97	9.28
	OAT	8.125	5/99	94.6750	+0.065	8.94	8.92	9.10
CANADA *		10.250	12/98	98.5000	-0.125	10.50	10.45	10.54
NETHERLANDS		6.7500	10/98	97.7750	+0.200	7.07	7.07	7.19
AUSTRALIA		12.000	7/99	90.7154	+0.405	13.69	13.72	13.75

London closing, *denotes New York closing. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Fine pricing for Greek utility's $150m loan

By Norma Cohen

PUBLIC Power Corp (PPC) of Greece has awarded a mandate to Sumitomo Bank to arrange a $150m eight-year term loan with interest rate margins even finer than those mooted when fierce bidding by banks began two weeks ago.

The loan has a five-year grace period and carries a margin of ⅜ for the full eight years, well below terms on its last loan in September 1988 which carried a margin of ½ point for the first six years rising to ⅝ point in the last two years.

In addition, front-end fees are a maximum of 20 basis points, against the maximum fee to lenders of 40 basis offered on PPC's loan last autumn.

Sumitomo Bank, in explaining its pricing of the loan, cited the overwhelming response to a $375m deal it syndicated last week for Athens Area Urban Transport Organisation. That loan, also for an eight-year term, carries margins of ⅜ for the first six years, rising to ½ in the final two.

Bankers were so keen to participate in the deal that Sumitomo received commitments of more than $100m in about a week.

Sumitomo said that PPC was a better-known borrower than the Athens transport body and therefore it believed banks would be eager to participate in the loan in spite of the fine pricing.

However, bankers pointed out that while the Athens transport body's loan was guaranteed by the Hellenic republic and required no reserve to be set aside for it, the PPC deal carried no guarantee and had a risk weighting of 20 per cent.

● Sparkassen SDS has launched a $250m Euro medium-term note programme and has named Citicorp as arranger. Terms of the programme call for issuance of securities with maturities of one to 10 years and in non-dollar currencies, including Ecu. Dealers for the programme are Citicorp, J.P. Morgan Securities and Swiss Bank Corporation.

Black & Decker wins commitment on Emhart offer

BLACK & Decker, the US power tools maker, has received commitments from a syndicate of banks formed by Citibank to provide the $2.8bn of financing required for its tender offer for shares of Emhart Corporation, the US industrial and consumer products group, Reuter reports.

Black & Decker said that the syndicate comprised 28 domestic and foreign commercial banks, including Citibank, which earlier committed $1bn. The company said in addition that $975m had been committed to refinance debt of the two companies and to provide working capital.

Black & Decker said it extended the expiration date of its $40 per share cash tender offer for all outstanding shares of Emhart to April 27 from April 18. It said about 3.2m shares had been tendered.

Power tools accounted for 42 per cent of Black & Decker's turnover in 1988.

D-Mark Eurobonds fall as investors switch into domestic paper

By Norma Cohen

WEST GERMANY'S announcement of a Cabinet reshuffle, with Mr Theo Waigel replacing Mr Gerhard Stoltenberg as Finance Minister, sent D-Mark Eurobond prices tumbling. Mr Waigel is a vocal opponent of withholding tax.

Bond prices closed ¼ to ⅜ points lower as investors hurriedly switched back into domestic West German government bonds on the view that the long-promised 10 per cent withholding tax may not be imposed after all.

INTERNATIONAL BONDS

For instance, the European Investment Bank's 6⅝ per cent bonds due 1998 closed ¼ lower while MEPC's 7 per cent bonds due 1999 closed 45 basis points lower at a discount of less 3¼ to its issue price.

At the height of the trading, bond prices gave up as much as ⅜ point. By the close they had recovered on the belief that selling may have been premature.

After all, Chancellor Helmut Kohl only said that withholding tax was under review, leaving open the door for its imposition later.

Indeed, some bankers speculate that what may be implemented is a modified withholding tax that only affects high-income investors. Alternatively, West Germany may announce it intends to make its own withholding taxes comply with a broader EC policy.

But if withholding tax on West German domestic securities were to be abandoned completely, bankers agree it could have a depressing effect on the D-Mark sector of the Euromarket.

Because D-Mark Eurobonds are exempt from the planned tax, yields on the securities fell below those on domestic government bonds after the reshuffle announcement. Issuance of new D-Mark Eurobonds surged as borrowers – both German and non-German – rushed to take advantage of the lower yields.

In the primary markets, new issue activity was light with deals consisting mostly of speciality items tailored to specific groups of investors.

Swedbank issued a $100m seven-year bond, callable after one year, carrying a coupon of 11 per cent and priced at 101⅞. The securities were said to have been largely sold in Japan, the sole source of demand for dollar paper this week and virtually the only source of investors willing to accept bonds with a call option.

The bonds are priced to yield 132 basis points over seven-year Treasuries and 130 basis points over one-year Treasury bills.

Lead manager Bankers Trust said Swedbank could probably have issued a seven-year bullet bond at 90 basis points over Treasuries, suggesting the borrower paid about 40 basis points for the call option.

While investment bankers in Europe argue that sellers of such call options – that is, investors who buy the bonds – should be earning more, the regional Japanese banks which purchase them appear satisfied with the rate of return.

Swedish Export Credit (SEK) issued a one-year $50m bond via Salomon Brothers with a coupon of 20 per cent in which the redemption price is linked, under a complex formula, to the Nymex light crude oil contract. If oil prices a year from now are at current levels or higher, investors will earn back all their principal; if oil prices fall they will lose part of it.

While such commodity-linked bonds have occasionally proved disastrous for their issuers, the oil price risk has been assumed by Salomon Brothers' Phibro-Salomon commodities trading affiliate. Salomon said there was an additional $50m on tap that it would issue when demand emerged.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Swedbank(a)◆	100	11	101⅞	1996	1⅞/1¼	Bankers Trust Int.
Swedish Export Credit(b)◆	50	20	100⅝	1990	⅞/⅛	Salomon Brothers
Japan Coated Paper Mnf.◆	100	(4⅞)	100	1993	2¼/1⅛	Nikko Secs. (Europe)
AUSTRALIAN DOLLARS						
Govt.Insurance Office NSW◆	50	17	102	1991	1¼/1⅛	Hambros Bank
Issue increased:						
Swedish Export Credit(c)◆	60	20⅝	101⅛	1990	1⅝	Bankers Trust Int.
SWISS FRANCS						
Moon Bat Co.★◆	30	(1⅛)	100	1994	n/a	Banca del Gottardo
Final terms fixed on:						
Toyo Tst & Banking(d)§◆	100	½	100	1994	n/a	SBC
Toyo Tst & Banking(d)★◆	100	½	100	1994	n/a	SBC
YEN						
Okobank(e)◆	4.6bn	10	101⅝	1993	1⅝/1⅛	Daiwa Europe

★Private placement. §With equity warrants. ‡Convertible. ◆Final terms. a) Call at par May 1990. b) Additional $50m on tap. Redemption linked to Nymex light sweet crude contract. c) Redemption at borrower's option in US$ or A$. Issue increased by A$10m. d) Put option fixed at 103⅞ to yield 1.863%. e) Redemption currency-linked - Yen/US$. Put and call February 1993.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday April 13 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Apr 12 Index No.	Tue Apr 11 Index No.	Mon Apr 10 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (207)	919.08	-0.2	10.71	4.13	11.47	7.22	920.76	918.02	915.27	752.93
2	Building Materials (29)	1163.60	-1.0	11.43	4.09	10.78	3.92	1175.84	1171.45	1167.56	1016.31
3	Contracting, Construction (38)	1666.74	-0.4	12.68	4.12	10.31	14.65	1673.00	1662.91	1676.11	1586.08
4	Electricals (10)	2659.67	-0.8	8.47	4.51	14.52	2.99	2682.39	2683.19	2692.42	1970.88
5	Electronics (30)	2074.92	+0.2	9.10	3.22	14.25	12.62	2070.20	2053.58	2032.83	1504.87
6	Mechanical Engineering (54)	496.90	.....	10.45	4.07	11.78	4.94	496.91	496.92	495.71	387.23
8	Metals and Metal Forming (7)	531.02	+0.1	14.45	5.61	7.82	0.00	530.42	528.36	529.29	454.22
9	Motors (17)	303.32	-0.1	11.94	5.80	9.73	4.85	303.76	301.60	302.80	275.45
10	Other Industrial Materials (22)	1515.73	+0.3	9.70	4.45	12.26	21.63	1511.43	1519.10	1510.25	1255.83
21	CONSUMER GROUP (186)	1156.68	.....	9.16	3.76	13.66	5.74	1156.50	1154.54	1149.98	1053.76
22	Brewers and Distillers (22)	1242.07	-0.4	10.42	3.69	12.15	5.36	1247.14	1250.94	1251.18	1064.60
25	Food Manufacturing (20)	1002.26	-0.2	9.52	4.06	13.11	10.15	1004.44	1004.76	999.28	851.09
26	Food Retailing (15)	2022.25	+0.8	8.98	3.54	14.66	8.97	2006.71	2000.65	1989.73	2098.72
27	Health and Household (14)	2257.17	-0.1	6.33	2.59	18.06	7.33	2259.51	2230.78	2207.46	1782.98
29	Leisure (33)	1557.39	.....	7.76	3.44	16.21	13.42	1557.75	1568.19	1562.99	1281.55
31	Packaging & Paper (16)	560.37	-0.4	10.52	4.29	11.61	5.04	562.88	563.00	559.93	486.63
32	Publishing & Printing (18)	3545.16	-0.2	9.10	4.56	13.75	5.06	3550.90	3561.23	3557.26	3357.01
34	Stores (33)	743.45	+0.5	11.62	4.72	11.28	1.75	739.57	738.23	739.15	838.08
35	Textiles (15)	506.84	.....	12.28	5.58	9.89	0.38	506.93	506.47	504.63	572.50
40	OTHER GROUPS (94)	1046.57	.....	10.34	4.31	11.79	8.37	1047.04	1044.37	1041.43	868.40
41	Agencies (18)	1270.56	-0.7	8.39	2.69	15.26	12.34	1279.52	1268.49	1251.79	1155.95
42	Chemicals (22)	1181.94	-0.2	11.32	4.99	10.62	21.18	1183.89	1188.29	1193.24	995.41
43	Conglomerates (11)	1480.69	+0.3	10.31	4.95	11.21	4.76	1475.89	1477.56	1469.11	1150.75
45	Transport (13)	2321.24	-0.3	8.58	3.71	14.98	16.45	2328.87	2328.50	2331.42	1986.08
47	Telephone Networks (2)	1102.10	+0.5	10.65	4.26	12.20	0.00	1097.09	1090.75	1081.73	951.78
48	Miscellaneous (28)	1433.28	-0.6	10.91	4.12	10.43	21.18	1441.70	1431.56	1434.45	1130.23
49	INDUSTRIAL GROUP (487)	1084.56	.....	9.93	4.02	12.44	7.19	1085.18	1082.69	1079.05	935.63
51	Oil & Gas (13)	1907.20	-1.3	10.38	5.83	12.35	40.19	1931.85	1933.29	1929.84	1850.29
59	500 SHARE INDEX (500)	1154.72	-0.2	9.98	4.25	12.43	9.85	1157.20	1154.99	1151.34	1012.71
61	FINANCIAL GROUP (123)	721.84	-0.1	–	5.31	–	12.54	722.54	725.66	726.53	660.42
62	Banks (8)	708.60	+0.2	24.28	6.71	5.46	20.35	707.36	713.05	716.77	617.17
65	Insurance (Life) (8)	1033.71	-0.3	–	5.76	–	25.72	1036.96	1051.79	1044.68	953.79
66	Insurance (Composite) (7)	579.16	-0.2	–	5.95	–	10.03	580.45	584.03	585.10	533.68
67	Insurance (Brokers) (7)	925.38	+0.1	9.12	6.82	14.62	16.38	924.62	930.01	928.14	885.70
68	Merchant Banks (11)	326.08	-0.1	–	4.60	–	3.61	326.51	326.42	326.86	338.98
69	Property (52)	1288.23	-0.3	5.81	2.71	21.91	4.14	1292.03	1287.87	1285.69	1135.34
70	Other Financial (30)	361.07	.....	10.02	5.81	12.54	3.56	361.27	360.21	362.29	393.44
71	Investment Trusts (73)	1079.45	-0.3	–	2.91	–	6.82	1082.32	1077.55	1078.52	870.83
81	Mining Finance (2)	656.31	.....	8.83	3.88	12.51	10.45	656.04	651.30	656.40	451.39
91	Overseas Traders (8)	1360.33	-0.3	8.64	5.11	13.52	15.93	1363.80	1361.58	1367.58	1025.32
99	ALL-SHARE INDEX (706)	1049.82	-0.2	–	4.56	–	10.42	1051.87	1050.65	1048.43	919.31

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 12	Apr 11	Apr 10	Apr 7	Apr 6	Year ago
FT-SE 100 SHARE INDEX‡	2028.7	-4.3	2031.4	2018.1	2033.0	2031.3	2025.0	2045.7	2052.5	1787.2

FIXED INTEREST

	PRICE INDICES	Thu Apr 13	Day's change %	Wed Apr 12	xd adj. today	xd adj. 1989 to date
	British Government					
1	5 years	117.08	-0.15	117.25	–	3.66
2	5-15 years	131.73	-0.31	132.43	0.29	3.89
3	Over 15 years	142.79	-0.30	143.21	–	5.33
4	Irredeemables	169.56	+0.68	168.42	–	1.51
5	All stocks	129.71	-0.25	130.19	0.16	4.02
	Index-Linked					
6	5 years	132.68	-0.05	132.75	–	1.36
7	Over 5 years	132.29	-0.13	132.75	0.29	1.28
8	All stocks	132.19	-0.13	132.64	0.28	1.27
9	Debentures & Loans	114.60	-0.04	114.64	–	2.20
10	Preference	88.88	+0.21	88.69	–	1.83

	AVERAGE GROSS REDEMPTION YIELDS		Thu Apr 13	Wed Apr 12	Year ago (approx.)
	British Government				
1	Low	5 years	9.79	9.77	8.50
2	Coupons	15 years	9.34	9.31	8.96
3		25 years	9.16	9.16	8.85
4	Medium	5 years	10.96	10.87	8.90
5	Coupons	15 years	9.82	9.78	9.17
6		25 years	9.34	9.34	9.06
7	High	5 years	11.07	10.98	8.99
8	Coupons	15 years	10.04	10.00	9.31
9		25 years	9.52	9.52	9.10
10	Irredeemables†		9.14	9.21	8.75
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.65	3.63	2.22
12	Inflation rate 5%	Over 5 yrs.	3.60	3.59	3.70
13	Inflation rate 10%	5 yrs.	2.79	2.76	1.35
14	Inflation rate 10%	Over 5 yrs.	3.44	3.43	3.55
15	Debs &	5 years	12.30	12.56	10.75
16	Loans	15 years	11.77	11.82	10.55
17		25 years	11.23	11.19	10.54
18	Preference†		10.10	10.12	10.00

‡Opening index 2023.6; 10 am 2022.6; 11 am 2021.5; Noon 2024.3; 1 pm 2026.8; 2 pm 2030.3; 3 pm 2025.9; 4 pm 2030.5; 4.05 pm 2030.6
(a) 4 17pm (b) 10 27am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	90	14
Corporations, Dominion and Foreign Bonds	0	10	34
Industrials	301	419	857
Financial and Properties	114	169	375
Oils	21	35	41
Plantations	0	2	10
Mines	63	27	93
Others	50	80	113
Totals	554	832	1,537

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§57	F.P.	–	71	60	♦Amberley Group 2½p	66		b1.5	3.4	3.0	12.1
§156	F.P.	6/4	171	155	Assoc. British Cksts 20p	162	+1	R5.25	2.7	4.3	10.0
†	F.P.	–	35	31	♦CCS Group 20p	32		L0.45	1.6	1.9	45.4
§50	F.P.	–	49	47	CST Emerging Asia Tst 10p	47	-1	–	–	–	–
–	F.P.	–	19	8	Do. Warrants	17		–	–	–	–
§135	F.P.	28/4	143	138	Davenport Vernon 10p	140	+2	u5.25	2.4	5.0	8.5
–	F.P.	–	63	33	Greenfriar Invs Wrnts	63	+2	–	–	–	–
†	F.P.	–	100	70	*Hoskins Brewery 50p	85		–	–	–	–
§47	F.P.	–	49	40	*Malaya Group 10p	45		g2.0	3.7	5.9	6.1
†	F.P.	–	600	600	Nova Corp of Alberta NPV	600		Q42	–	3.4	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. date	1989 High	1989 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

TRADITIONAL OPTIONS

● First Dealings Apr 10
● Last Dealings Apr 21
● Last Declarations Jul 13
● For settlement Jul 24

For rate indications see end of London Share Service

Calls in Audio Fed, Spice, Tusker, Control Secs, Waterford, Cons tern, AB Eng, Prop Trst, Impala, Edmond, Feedex.

LONDON TRADED OPTIONS

DEALINGS in the FT-SE 100 index option contract continued to reassert themselves on the traded side of the options market, attracting 12,628 contracts out of a total of 36,948. Many technical factors have affected the money markets of late, including the end of the financial and fiscal years, the unusually early expiry of individual options stocks, which took place in the first half of the month, on Wednesday, and the approach of another three-week stock exchange account.

The market itself lost 4.3 points on the day to 2,028.7, as measured by the FT-SE 100 index, as there was some trembling seen in the markets at large ahead of the batch of economic indicators coming out today in the US and the UK. The pound and the dollar ended with little net change, no more did the three-month inter-bank sterling rate, but nervousness was evident. There are those involved in the market to support the idea that interest rates are going up, and there others to dispute it.

Overall options market trading was comprised of 22,307 call contacts and 14,641 put. The index trading lay in 6,357 calls and 6,271 puts, with the May 2000 puts alone attracting business of as many as 1,794 contracts.

British Gas was the most heavily traded of the individual stocks, finding 2,855 contracts, made up of 2,265 calls and 590 puts. There were dealings of 2,080 contracts in the December 180 calls. Racal ran it close, however, on 2,254 contracts, consisting of 1,604 calls and 450 puts. Much of the business in Racal lay in the May 390 calls, which saw the handling of 704 contracts, while the August 240 calls – widely dispersed in price terms from the other series – saw dealings of 690.

Sears, occasionally active in options dealings, attracted 2,250 contracts, as the underlying share price in it rose 4p to 122p, against the market trend. The June 130 calls found 885 contracts, and the June 120 found 408, while there were dealings of 460 in the June 120 puts.

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Alld Lyons (*438)	420	34	47	54	11½	14½	18
	460	14	26	34	33	36	40
Brit. Airways (*196)	180	22	27	30	5	7	9
Storehouse (*162)	140	27	30	33	4	8	10
	160	14	19	23	9½	14	17
	180	7	12	16	25	27	30
Trafalgar	360	24	36	44	16	20	24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2031)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

April 13 Total Contracts 36,948. Calls 22,307 Puts 14,641. FT-SE Index Calls 6,357 Puts 6,271. *Underlying security price.

UK COMPANY NEWS

Strong UK sales help Blue Circle to £203m

By Andrew Taylor, Construction Correspondent

PRE-TAX PROFITS of Blue Circle Industries, which supplies about half of all the cement sold in Britain, rose by 31 per cent from £155m to £203.1m.

Turnover increased from £1.07bn to £1.12bn. Earnings per share, following a slightly increased tax charge, rose by 19.5 per cent to 57p.

Blue Circle is one of only three British cement manufacturers. The others are Rugby Portland, which last year increased pre-tax profits by 41 per cent to £72.64m, and Castle Cement, which 12 months ago was acquired from Rio Tinto Zinc by Scancem, a Swedish-Norwegian joint venture.

Sir John Milne, Blue Circle's chairman, said 1988 had been an exceptionally successful year in the UK, where profits had risen from £79.2m to £134.1m. The group had been assisted by first time contributions of £8.5m from the consumer products division of Birmid Qualcast and £4.3m from Ockley Brick.

Profits from overseas however fell by almost 13 per cent from £90.8m to £79.2m. There was a lacklustre performance in the US where profits declined from £35.9m to £28.8m. Profits also fell by £3m to £15.7m in Mexico.

Blue Circle said overseas profits had been adversely affected by exchange rate movements.

UK cement profits last year rose by 63 per cent from £45.6m to £74.3m. Profits from home products including Birmid Qualcast increased by 87 per cent from £12.3m to £23.1m. Brick profits more than trebled to £6.1m while property profits, including the sale of land for the large Chafford Hundred, rose from £16.7m to £24.6m.

Sir John said the rise in UK cement profits was due to better margins and high demand from the British construction industry. UK construction output last year rose by 7 per cent and was forecast to grow by a further 3 per cent to 4 per cent this year.

Better margins were the result of more efficient production and distribution following the end of the UK cement manufacturers common price agreement in February 1987. Cement prices had also risen by 6 per cent last August and by a further 7 per cent from the beginning of last month.

Qualcast lawnmowers, Potterton boilers and New World cookers in the home products divisions also had good results last year said Blue Circle.

Results in the US had been mixed. Profits had increased in the north east but the group had continued to suffer from difficult markets in Georgia, Oklahoma and Arizona. It expected to see a small improvement this year as a result of management changes and elimination of losses from the proposed disposal of the Williams Bros lumber business.

Sir John Milne, chairman: an exceptionally good year in UK

In Chile the construction market in the run-up to national elections had remained strong and profits last year rose by 7 per cent to £12.5m. African profits had increased from £16.1m to £17.3m. Asian profits were down very slightly at £4.9m.

Net debt, following the acquisition of Birmid Qualcast had increased from £147.6m to £288.1m, representing just under a third of shareholders funds. The group was continuing its policy to sell non-core business including Birmid's foundries business.

A final dividend of 14p makes a total of 20p (15p) for the year.

See Lex

Devenish launches £26m rights issue

By Lisa Wood

J A DEVENISH, the aggressive West Country brewer, is to raise £26.1m through a rights issue in order to take advantage of opportunities it believes could arise if recommendations made in the Monopolies and Mergers Commission report on the brewing industry are implemented.

Devenish has been investing heavily in upgrading its pubs, launching its Newquay Steam beer range and extending its wholesaling business. In the year to September 30 it made pre-tax profits of £11.5m, an increase of 15 per cent.

The one-for-four rights issue, of 9.9m new shares at 270p apiece, is underwritten by Baring Brothers. Dealings in the new shares are expected to start on April 14.

Mr Michael Cannon, chairman, said that the issue would finance two acquisitions of pubs and pub and entertainment complexes for £8.73m in cash as well as reduce borrowings. These, currently standing around £36m, impose a heavy interest burden, particularly in the light of the current high cost of borrowing, and affect profitability in the short term.

Mr Cannon said he did not give unequivocal support to the MMC report but he believed it would give major opportunities to some regional brewers.

The report – which has yet to be given Government approval – recommends for example that no brewer should own more than 2,000 pubs.

Mr Cannon said he did not expect that the major brewers would divest themselves of thousands of pubs. But, he said those large companies which might decide to sell their brewing operations instead might fine-tune their pub estate, so releasing properties.

In addition he forecast that some smaller regional brewers without strong brands might be put up for sale. Devenish's share price yesterday fell 14p to 311p.

Profits warning sees Peters fall 13p

By Alice Rawsthorn

MICHAEL PETERS Group, one of the leading players in the UK design industry, has warned that its profits growth this year will be slowed down by the problems of its US design businesses.

The group's share price fell by 13p to 100p on the announcement. Mr Michael Peters, chairman, said the group should increase its profits this year but that the losses from the US would depress the rate of growth.

Warburg Securities has slashed its profits forecast for the year to June 30 from £3.2m to £2.3m. This compares to profits of £2.1m last year.

Peters made its major move into the US early last year by buying Hambrecht Terrell, one of the biggest retail design companies, for £7.7m. It then set up a packaging design and brand identity consultancy in New York.

Hambrecht Terrell performed poorly last year when the market for US retail design suffered from sluggish consumer sales and the frenzy of corporate activity among the major retail groups.

These problems were exacerbated by the illness, diagnosed before the acquisition, of Mr Jim Terrell, one of the founders. He has since been forced to stop work and a new senior management team has been appointed.

Peters had hoped to increase Hambrecht Terrell's work outside the US, but two important Asia-Pacific contracts have been postponed. Moreover the development of its new US design company has been unexpectedly slow. The two subsidiaries should make a loss this year.

Mr Peters will spend the rest of the year in New York and expects the subsidiaries to return to profit in 1989/90. He said the rest of the group – in Europe and Canada – was "going like a train".

Design faults in an immature industry

Alice Rawsthorn on the problem of fragile finances in this sector

A YEAR ago when Michael Peters Group, one of Britain's biggest design businesses, announced its acquisition of Hambrecht Terrell in New York, the prospects seemed bright. The acquisition, the group's most ambitious deal to date, provided Peters with an *entrée* into the dynamic field of US retail design.

But things swiftly turned sour. No sooner had the deal been completed than the US retail design market collapsed. Also Peters has struggled to establish its new packaging and brand identity design business in the US. Yesterday it warned investors that its New York losses would depress overall profits growth this year.

For Peters the announcement marked the latest instalment in the sorry saga of the Hambrecht Terrell acquisition. For the London stockmarket, it has a wider resonance in that it serves to confirm the City's worst suspicions about "people businesses" in general, and design companies in particular.

Ostensibly design looks like an attractive area for investment. The 1980s has, after all, been characterised as the "design decade". The sudden surge of aesthetic awareness that has swathed the high street in post-modernist pastels has created a bonanza of new business for the design industry.

A recent survey by Design Week magazine suggested that the 100 biggest British design groups increased fee income by 50 per cent – for the second successive year – to £450m in 1988.

But behind this rosy facade, design is still an immature industry with all the attendant problems of fragile finances. The design market may be booming, but individual companies are still tussling with poor profitability and irregular income.

The crux of the industry's problems lies in the low cost of entry. It costs next to nothing to set up in business as a designer. In recent years the industry has become polarised between the big groups, like Peters and Fitch & Co, and the hundreds of entrepreneur designers. Yet the presence of so many small companies depresses the profitability of even the biggest businesses.

The stockmarket careers of the small group of publicly quoted design companies have illustrated the precarious character of the industry.

In the early 1980s a succession of designers went public. The 1980 flotation of Allied International Designers, was followed by that of Fitch in 1982, Peters in 1983 and a string of others.

Some of the publicly quoted design companies have flourished. Fitch has used its listing to finance its expansion into new design disciplines and different countries. The diversified groups, such as Holmes & Marchant, have also achieved consistent profits growth. WPP and Saatchi & Saatchi, the giant marketing groups, are faring well with their recently acquired design interests.

Michael Peters – warning of depressed overall profits

But other companies have floundered. Since the start of this year the design sector has been dogged by difficulties.

Addison, the marketing group which now owns AID, has encountered problems with public relations in the UK and design in the US. Earlier this week it announced a fall in pre-tax profits from £4.3m to £2.1m for 1988. Addison is now the butt of a bid battle between Motivation, the French market research company, and MAI, the UK company with interests in financial services and advertising.

Similarly WCRS, the ambitious advertising agency which recently diversified into design, has sold Saunders, its UK design company, following a dramatic decline in profits from its international design interests.

As for Peters, most of its subsidiaries are performing well, but not well enough to compensate for the losses from Hambrecht Terrell and its new US design venture or to prevent a slowdown in profits growth.

Ironically the *raison d'être* for Peters' expansion into the US was to broaden the base of its business, thereby making its less vulnerable to cyclical slumps in the UK.

It was also influenced by the trend towards internationalism within the world design industry that has intensified the competitive pressure on the larger groups to expand into other countries.

Other British design companies have staged international acquisitions for exactly the same reasons. Fitch bought RichardsonSmith, one of the leading product designers in the US, last year. Saatchi and WPP have continued to develop their worldwide design interests. Some of the private companies, like Wolff Olins and Minale Tattersfield, have also expanded internationally.

The critical questions for the City are whether they will succeed where Peters has – so far – failed and whether design can ever conquer its structural problems to become a more mature industry.

McLaughlin to get listing and makes £2.8m rights issue

By Clare Pearson

MCLAUGHLIN & HARVEY, the building contractor and housebuilder, will next week be exchanging its quotation on the Unlisted Securities Market for a listing and will be accompanying the move with a £2.8m two-for-seven rights issue.

These announcements came yesterday as the company unveiled pre-tax profits almost 50 per cent higher in 1988 at £2.13m (£1.43m) on turnover up from £65.92m to £94.12m. Earnings per share rose from 22.3p to 32.8p.

The proposed final dividend is 6p (5.5p), making 9p (8p) for the year.

McLaughlin said proceeds of the rights issue would provide resources for the group to expand. In the near-future, it was hoping to add new activities to its specialist building services division. The rights issue shares are priced at 265p.

The company, which plans to move up from the USM next Thursday after an 8¼-year stay, is a building contractor in London and Ulster and a housebuilder in Kent and Essex.

Its construction division received a big boost in January when it was appointed main contractor for the Antrim Hospital in Northern Ireland. The contract is worth £28.7m and should run until 1992.

On current year prospects, Mr Charles Denny, chairman, said tender enquiries on the construction side remained very encouraging, although margins were still disappointing. Work in hand for 1989 at £75m was some 66 per cent higher than at the same point last year.

He said housebuilding should make a bigger profits contribution than last year although the timing of completions meant most of these would come through in the second half.

The company does not break down profits by activity, although it said about two-third of sales occur in the South East of England.

In 1988 income from fixed asset investments contributed £558,000 (£508,000) to the pre-tax figure. Net interest payable was £159,000 (£276,000). Tax took £790,000 (£529,000).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
AMI Healthcare	int	2	July 3	-	-	3.3
Aspen Comms §	fin	4.5	June 5	3.5	6.5†	5.1
Assoc Fisheries	fin	5☆	May 26	4	6	5
Beacon Group	fin	1.5†	-	0.5	1.5	0.5
Bentalls	fin	2.95	-	2.65	3.5	3.15
Blue Circle	fin	14☆	July 7	10	20	15
Clondalkin Group	fin	2.129♣	-	1.971	3.476	3.218
Costain	fin	7.25	July 3	6	11.75†	9.65
Davis (Godfrey)	fin	4.67	June 14	4	7	6.1☆
Lyles (S)	int	1.5	June 5	1.5	-	3.5
McLaughlin §	fin	6	May 18	5.5	9	8
Rea Brothers	fin	0.25	May 25	nil	0.5	0.65
Toye	fin	7	June 3	6	7	6
Tudor §	fin	4.5	-	3.5	6	5

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ☆For nine months. ☆Carries scrip option. ♣Irish pence throughout.

Banks confident on BDDP loans in bid for BMP

By Nikki Tait

Three banks which are backing the £103m leveraged bid for Boase Massimi Pollitt, the UK-based advertising agency group, from Boulet Dru Dupuy Petit, the French agency group, said yesterday that they saw no problem with the financing package if BDDP was successful.

"The banks are confident that the enlarged group will not be in breach of any of the covenants and clearly made their decision to lend on this basis," said the statement issued on behalf of Charterhouse Bank, Credit Agricole and Industrial Bank of Japan. The three banks are responsible for the core £57m loan facility.

The loan agreements have come under attack from the larger BMP, which has argued that there would be breaches of two covenants – concerning interest and cashflow cover – if the merger went through.

Bid for Piccadilly unconditional

The Miss World Group bid for Piccadilly Radio has been declared unconditional as to acceptances. It still needs approval from the Independent Broadcasting Authority and from the Office of Fair Trading.

The entertainment and beauty contest group owns or has acceptances in respect of 90.7 per cent of Piccadilly's non-voting shares and 74.6 per cent of the voting shares.

The bid links Miss World's Red Rose Radio chain, based in Preston, with Piccadilly's Manchester-based radio station.

CGS increases stake in Sema Group to 21.84%

By John Ridding

CAP GEMINI Sogeti, the French software house, yesterday revealed that it had increased its stake in Sema Group, the Anglo-French software manufacturer, from 20.1 per cent to 21.84 per cent.

The increase followed Wednesday's raid on Sema's shares by Barclay de Zoete Wedd, acting on the behalf of CGS.

BZW were offering 319p per share, compared with an opening price of 290p, with the aim of capturing an additional 4.5 per cent of the shares for its French client.

The failure of the attempt reflects the large holdings of Sema shares by friendly institutions, particularly Banque Paribas which controls 39.2 per cent.

Analysts said that with less than 20 per cent of the shares in public hands it would be difficult for CGS to further increase its stake without offering a significantly higher price.

Kelt to dispose of Sigas to Esso for £9.89m

By Nikki Tait

THE SALE of downstream assets belonging to oil independent Carless, which bidder Kelt Energy signalled when it took over the group after a bitter £208m battle in January, got under way yesterday with the disposal of Sigas, the Liquid Petroleum Gas business, to Esso Petroleum.

The sale price is £9.89m and subject to contract. Completion should take place before end-April.

The company was acquired by Carless in April last year for £6m and in the intervening period about £1m has been invested in developing a filling plant at Telford. Sigas's net asset value is £2.27m, and unaudited profits.

At the time of the Carless bid, Kelt – a smaller oil group – said that it would sell "substantially all" of the downstream assets if successful.

This was seen as critical to its financing plans – which involved a £199.2m 12-month loan facility, of which just over half had to be repaid within six months.

Kelt now says that final negotiations are taking place on other downstream businesses. It seems possible that one other disposal is very imminent and others may flow before the end of April.

UK COMPANY NEWS

Godfrey Davis climbs to £17m

By John Thornhill

A 23 per cent increase in pre-tax profits, from £13.87m to £17.06m, is reported for 1988 by Godfrey Davis (Holdings), the textiles, car dealing and building services group.

Turnover rose to £256.39m (£221.47m) and earnings per share advanced to 15.16p (13.2p). A final dividend of 4.67p will make 7p (6.1p) for the year.

Mr Neil Benson, chairman, said all divisions had traded well and the profit, with shareholders funds of £77m, would provide a substantial springboard for the future.

Results for the early part of 1989 gave him confidence that next year he would report on another period of continued growth and on the further development of the businesses.

In 1988 Sunlight Textile Services suffered from a decline in the hotel market during the year but the growth of its small rental business improved profits to £9.23m (£7.85m).

First Impressions, which supplies company clothing, also had a highly successful year, the chairman said. Newbury Laundry was added to the textiles division in June and has now been fully integrated.

A 20 per cent expansion of its contract hire fleet and improved management and controls in its dealerships largely accounted for growth in the vehicle division, where pre-tax profits to £7.86m (£5.91m).

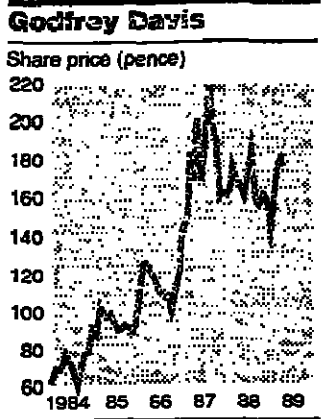
Building service activities were strengthened in September by the £43.7m acquisition of Falcon Industries, which supplies portable buildings and plastic garden pots. Mr Benson said it would take until the latter part of this year for the full benefits of the acquisition to be realised. Falcon contributed £800,000 and helped the division double profits to £2.55m (£1.27m).

A loss of £374,000 was incurred by other activities, although this was a reduction on the previous year's £759,000. This mainly reflected central office costs.

Godfrey Davis Park Homes and Security Arrangements contributed pre-tax profits of £1.6m until their disposal in August and September respectively. Proceeds from their sale represented the bulk of an extraordinary credit of £12.8m.

Godfrey Davis

Share price (pence)



● COMMENT

This was a solid set of numbers reflecting Godfrey Davis's tighter management skills since the infusion of personnel from Sunlight Service. The peculiar mix of its businesses, much commented on at the time of the reverse takeover, now seem to be working successfully in harness. There was encouraging growth in all the major areas despite some adverse market conditions but many of these markets may well deteriorate further this year. Tighter economic conditions will pinch even harder and the building services and motor markets look vulnerable later in the current year although performing well at present. Nevertheless, Godfrey Davis can still hope to gain through improving its existing business base and consolidating recent acquisitions. Further purchases look possible given the strong balance sheet which may help to keep the company perked up in an otherwise dull-looking economic year. Pre-tax profits look set to rise to at least £21m but earnings per share growth may rise only 10 per cent due to the increased number of shares in issue. A prospective p/e ratio of over 10 seems fair in the short-term although acquisitions may make that look more attractive in the longer term.

Cairn pays Pearson $60m for Lignum

By Nikki Tait

CAIRN ENERGY, an independent oil and gas producer which obtained a listing at the end of last year, yesterday emerged as the purchaser of the Lignum oil and gas properties from Pearson, the publishing, banking and industrial conglomerate which owns the Financial Times.

Cairn is paying $60m (£35m) cash, for which it gets interests in 29 offshore blocks in the Gulf of Mexico, working interests in 350 onshore wells in the States, and royalty interests in a further 90 onshore US wells. Total net proved and probable reserves are put at 45.9m cubic feet of gas and 2.3m barrels of oil.

The imminent sale of the Lignum interests was signalled by Pearson at the time of its annual results earlier this month. It sold certain other Lignum assets this year for $4m, and the total $64m now achieved compares with a net book value for the subsidiary's assets of $51m at end-1988.

The sale of Lignum also follows the £94m disposal of Whitehall Petroleum, whose interests were primarily in the North Sea, by Pearson last year. Pearson said yesterday that the latest sale – coupled with the disposal of a 35.9 per cent interest in US-based Compressor Systems to the company's majority shareholder – completes the reorganisation of the oil services division, which now centres of its Camco business.

Cairn says it is principally attracted by Lignum's offshore blocks – notably three Galveston Island blocks and Brazos block 364 – and that its main strategy in the States is concentrated on the gas market.

It plans to rationalise the onshore properties and dispose of "a sizeable proportion" of these within 12 months. Yesterday, the company suggested that it hoped to raise something in the order of $5m-$10m from this process.

To fund the deal, Cairn is setting up a $40m five-year loan facility with Bank of Scotland. The remaining finance will come from a placing of 6.35m new shares for cash – increasing the issued capital by about 50 per cent. The shares have been conditionally placed at 220p, mainly with institutions. Amongst the placees, Pearson has agreed to take 800,000 shares.

There is a clawback for existing shareholders. However, Cairn said that it did not expect Mr Kerry Stokes – who acquired a 14.9 per cent interest when the group came to market – to utilise this, although claimed that he was supportive of the deal.

The purchase, which is subject to formal shareholder and US regulatory approvals, is due to be completed on May 10. Cairn shares dipped 5p to 215p yesterday, while Pearson gained 1p at 705p.

AMI Healthcare margins rise as profits advance by 51%

By Vanessa Houlder

AMI HEALTHCARE Group, private medical company, yesterday announced a 51 per cent increase in pre-tax profits to £9.54m, against £6.33m for the six months to February 28. Turnover increased by 23 per cent from £51.91m to £63.67m.

The second quarter, which as usual was affected by holidays, saw operating profits rise by 33 per cent to £4.4m on turnover up by 23 per cent to £31.5m.

Operating margins increased from 13 per cent to 14 per cent as productivity improvements and reduced cost of supplies helped the group to shrug off the effects of recent pay increases.

Earnings per share increased by 12 per cent from 8.4p to 9.4p. As with all the figures, they were calculated as if the capital structure had been in place from September 1987.

An interim dividend of 2p per share was declared.

In the 13 acute hospitals, turnover rose by 21 per cent while prices increased in line with inflation. Bed occupancy levels were kept at 65 per cent of capacity, even after a 5 per cent increase in the number of beds.

Turnover in the three psychiatric hospitals rose by 54 per cent to £3.1m. AMI yesterday announced plans to expand this division with the acquisition of Stockton Hall in York for £2.1m. It will become a 60-bed psychiatric hospital for the rehabilitation of the adult mentally ill.

Dr Marvin Goldberg, chief executive, said that he welcomed the proposed reforms of the NHS, although they would not come into effect until 1990. The white paper would lead to higher levels of expectation in health care and additional opportunities for the private sector.

Medical Diagnostic Laboratories, the pathology laboratory joint venture which it was setting up with CDH-Larem was making progress. It is expected to come into operation in the fourth quarter.

● COMMENT

Spring came early to AMI shareholders this year. After an extremely lacklustre performance during 1988, the shares have increased their value by half in the past few months. The reason is, in large part, speculation due to the instability of its US parent. It is mulling over restructuring proposals and leveraged buy-out talks, both of which could result in the sale of its 85 per cent stake in AMI. The market thinks that this, in turn, is likely to result in a full bid for the company. That is why the shares, unchanged yesterday at 359p, are on a demanding p/e of 18, assuming profits of £20m for the full year. That leaves little to go for, even though it is a well-managed company in a fast-growing sector of the market with good long-term prospects from the NHS reforms.

Portmeirion beats target with £1.72m

Portmeirion Potteries (Holdings), which came to the market last October, has handsomely beaten its profit forecast for 1988.

At the pre-tax level of £1.72m, the profit compared with £1.5m expected and with £1.09m made in 1987.

Earnings were 14.92p (9.98p). There is no final dividend; had the company been listed for a full year the payment would have been 4.5p.

Turnover in the year rose from £7.39m to £9.31m. The directors said the growth reflected the increasing demand for the group's pottery and associated accessory products.

Restyled Beacon makes £1.9m

BEACON GROUP, the old Mellerware cookware business, finished 1988 with pre-tax profits of £1.93m from turnover of £30.34m. The dividend is the promised 1.5p.

The figures took in several acquisitions, including the Jessar group which cost £6m in shares. On a merger accounting basis the 1987 comparisons were loss £548,000 and turnover £26.46m, while the reported returns in that year for the old Mellerware group alone showed a loss of £1.36m from sales of £15.48m.

Mr Sandy Saunders, chairman, said: "With no net debt, and an enthusiastic and highly motivated management team, Beacon is in a strong position both to grow its present operations as well as to make further acquisitions."

He emphasised the change of direction to a supplier of electronic systems and precision engineering products for high technology markets. By divesting the original Mellerware Housewares operations, management was able to concentrate on developing its specialist process technology into its new core business.

There were no reorganisation costs this time and finance charges were cut to £160,000. The previous year saw financing costs of £899,000 restated and £576,000 original, while reorganisation costs were £523,000. Earnings came to 3.09p (losses 5.07p and 20.2p); the dividend for 1977 was 0.5p.

An extraordinary charge of £515,000 reflected the estimated loss on the sale of the housewares business.

Mr Saunders said the expansion programme was enabling the group to profit from the growing trend of large multinationals seeking to replace their internal manufacturing departments with independent specialists. "1988 has seen a major advance in developing this concept" he added.

All acquisitions had been integrated into the management structure. The overall customer base represented a platform for further significant growth, and the marketing thrust had been reorganised to ensure each company could benefit from that potential.

Thompson Clive net assets improvement

Thompson Clive Investments, which provides equity-based venture capital to unlisted companies, invested £1.7m in 1988 in 20 companies, 14 in the UK or Europe, with the remainder in the US.

Net asset value at the year-end was 168.7p (138.1p) basic or 163.6p (133.5p) fully diluted.

Directors said that the group continues to see a good flow of investment opportunities, both early and later stage.

In the 12 months to end-December, the group, which came to the main market last September, reported pre-tax profits of £224,000 (£27,000) on gross revenue of £837,000 (£646,000). Earnings per 50p share were 0.9p, up from 0.2p last time.

Buoyant housebuilding market boosts Tudor

A 33 PER CENT advance in pre-tax profits for 1988 was achieved by Tudor, a USM-quoted distributor of wall and floor tiles and manufacturer of crystal glassware.

Turnover moved up 14 per cent to £12.52m (£10.95m) resulting in profits of £648,000 (£456,000) and earnings of 16.4p (12.6p) per share.

The final dividend is 4.5p for a 6p (5p) total and shareholders are also to receive a five-for-four scrip issue.

Mr Philip Battin, chairman, said the ceramic tile market slowed towards the end of the year as higher interest rates affected the DIY trade. However, turnover rose substantially mainly from increased business with independent retailers and builders.

Midland Tile Contractors made a record contribution as it took full advantage of the buoyant housebuilding market.

Mr Battin said the outlook was clouded because of high interest rates.

Emess lifts stake

Emess, the lighting and electrical accessories group, has raised its stake in Brillantleuchten, the West Germany lighting company, to 77.6 per cent.

SMAC in line with forecast at over £1.4m

SMAC Group, the motor retailing company operating in the south-east and which gained a listing last October, increased pre-tax profits by 57 per cent in the year to December 31.

Profits of £1.44m compared with £913,000 in 1987, with turnover dropping from £68.17m to £62.81m.

The company said that the results were fully in line with the forecast made in its prospectus.

Earnings per share advanced 51 per cent to 8.15p (5.39p) and, as stated in the placing document, the directors are not recommending any further dividend for 1988.

Mr Ray Horrocks, chairman, said that in the current year SMAC would continue to invest substantially in expanding the spread of its franchises and its geographical coverage. He expected the company's progress to continue in 1989, with perhaps some slackening of demand.

American Distributors back in black

American Distributors, formerly Sapphire Petroleum, the USM-quoted company with interests in oil and gas exploration and production, and distribution of cigarettes and confectionery in the US, reported a return to profits in 1988.

Pre-tax profits totalled £2.94m against a loss of £257,000 last time. Turnover improved to £103.14m (£544,000) and after tax of £616,000 (£24,000) earnings were 11.1p (6.5p losses), equivalent to consolidation of 2.5p prior to the company's share capital on a one-for-five basis in January 1989.

These figures include only nine months contribution from Golden Distributors, acquired in April 1988. Directors are recommending a final dividend of 2.25p per existing share in respect of nine months' ownership of Golden.

Toye expands 25% to £0.52m

A 25 per cent expansion in taxable profits was yesterday reported by Toye & Company, the civil and military regalia group based in London's West End.

On turnover ahead 16 per cent at £9.18m (£7.93m), profits for the 12 months to end-December rose from £420,301 to £523,283.

Directors said that order books were running at record levels and that this should auger well for the current year.

After tax of £146,443, up from £132,068 in the previous year, earnings per share worked through at 16.76p (12.62p). The single dividend for the year is raised 1p to 7p.

A property revaluation at the year-end threw up a surplus of £1.86m which has been credited to revaluation reserves.

PUBLIC WORKS LOAN BOARD RATES

Effective April 12

Years	Quota loans repaid by EPT	at maturity	Non-quota loans repaid by EPT	at maturity
1		12¼		13
Over 1 up to 2	12⅛	12⅛	11⅞	13⅛	13⅛	12⅞
Over 2 up to 3	11¾	11⅝	11⅝	12⅞	12¾	12
Over 3 up to 4	11½	11½	11	12½	12⅛	11¾
Over 4 up to 5	11⅜	11⅜	11	12¼	12⅛	11⅝
Over 5 up to 6	11¼	11¼	10⅞	11⅝	11⅝	11⅜
Over 6 up to 7	11⅛	11	10¾	11⅝	11½	11⅛
Over 7 up to 8	11	11	10¾	11½	11½	11¼
Over 8 up to 9	11	10⅞	10½	11½	11⅜	11
Over 9 up to 10	10⅞	10⅞	10⅜	11⅜	11⅜	10⅞
Over 10 up to 15	10¾	10⅝	9⅞	11¼	10⅞	10⅝
Over 15 up to 25	10⅛	9⅞	9⅝	10⅝	10¼	10⅛
Over 25	9¾	9½	9½	10¼	10	10

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Finals: Broadway Communications, Dinkie Heel, Evered, First Chicago Corp, Futura, PML.

FUTURE DATES

Interims–	
Fenner (JH)	Apr. 27
Jessups	Apr. 26
National Home Loans	Apr. 27
Finals–	
Bank of Wales	Apr. 29
Consolidated Tin Invs	Apr. 17
FR Group	Apr. 25
Farnell Electronics	Apr. 24
Ferranti Holdings	Apr. 18
Mall (James)	Apr. 21
Pavenel	Apr. 19
Sears	May 8
Systems Reliability	Apr. 20
TV-am	Apr. 27
WA Holdings	Apr. 27
Yorkdyde	May 11

Bentalls hit by tough trading

By Maggie Urry

TOUGHER trading conditions in south east England hit Bentalls, the department store group, in the more important, second half of its year to end January. After a first half pre-tax profit increase of 14 per cent, second half profits slipped 5 per cent. For the year pre-tax profits were 1 per cent down at £4.8m on sales 4.6 per cent ahead at £74.7m.

Mr Edward Bentall, chairman, said high interest rates had affected consumer spending, especially in the south east where the group's stores are located. The shares slipped 5p to 202p.

However, he was confident that the group's marketing strategy, introduced three years ago, would continue to attract customers. Bentalls had reduced the number of concessions within stores and increased the "own-bought" merchandise to about 80 per cent. It had improved its fashion departments.

The group had not been left with excess stocks after Christmas, Mr Grenville Peacock, deputy managing director, said. He said the areas hardest hit by the slow down in sales were furniture, carpets and heavy electrical appliances.

Mr John Ryan, finance director, outlined the benefits the group is expecting from the £130m redevelopment of its property in Kingston upon Thames, south west London, by Norwich Union. A new Bentalls store is being built which will open in July 1990, costing Bentalls a net £12½m to fit out.

The old store will be replaced by a shopping centre, opening at the end of 1992, from which Bentalls will take 23.6 per cent of the rental income, estimated to be worth £2¼m a year, with a guaranteed minimum of £1.65m a year. Bentalls will also retain the freehold of the shop and the shopping centre, while Norwich Union will take the rest of the rental income.

Further ahead the group plans to open new stores which would allow central overheads to be spread across a wider base, and enable it to get better buying terms, for instance from Far Eastern clothing suppliers.

A slight reduction in the tax rate allowed an increase in earnings per share for the year to 7.24p (7.12p). A final dividend of 2.95p (2.65p) is proposed to give a total payment for the year of 3.5p, up 11.1 per cent.

Clondalkin tops I£8m in 37% improvement

Clondalkin Group, Dublin-based printer and packaging manufacturer, achieved a 37 per cent increase in pre-tax profits from I£5.86m to I£8.04m (£6.76m) in the year to December 31 1988.

A final dividend of 2.129p (1.971p) is proposed for an improved total of 3.476p (3.218p). Earnings per share advanced to 15.35p (11.36p) after a tax charge of £1.79m (£1.29m).

On sales 41 per cent ahead from £78.35m to £110.7m trading profits were £9.34m (£5.98m). Interest payable amounted to £1.17m against £55,000 received and the pre-tax result was struck after an exceptional debit of £126,000 (£174,000).

There was an extraordinary credit of £595,000 this time against a £74,000 debit.

West Industries acquisitions

By John Ridding

WEST INDUSTRIES, the engineering and construction group, yesterday completed the first stage of its reorganisation plan with the announcement of a series of acquisitions and a disposal.

The company said that Samuel Denison, a joint venture between West and Firstmeasure, the investment company which holds 28 per cent of West's issued shares, had concluded the acquisition of the materials testing business of Avery Denison from GEC.

The completion followed the approval of a £2.8m two-for-five rights issue to finance West's part of the deal. The total cost of the deal is £4m.

West also announced the purchase of the entire share capital of Hardness Control, which sells and services a range of materials testing equipment, for a maximum consideration of £225,000. The initial consideration is £135,000 with the balance dependent on the level of service income.

In the year to the end of March 1988 Hardness Control had a turnover of £568,000 and pre-tax profits of £27,000. Its net assets were £84,000.

Mr John Moulton said the two acquisitions reflected West's strategy of developing its core business, adopted following the change in management last September.

The current business strategy was also reflected in the disposal of Westcare, its loss-making pest control division, which has been sold to the current management for a nominal consideration together with the repayment of £410,000 of group loans.

In the year to the end of March the combined losses of the division were £202,000 and they had net liabilities of £8,000 excluding group loans.

UK COMPANY NEWS

Mining the only let down as results reach top end of estimates

Costain profits advance to £89m

By Nikki Tait

STRONG RESULTS in housing and property, and a sharp recovery on the engineering and construction side, helped Costain Group increase pre-tax profit by 35 per cent in 1988.

Turnover was £1.16bn (£970m) from which a profit of £89.2m (£66.2m) was made. Earnings were up to 33.5p (25.7p). The final dividend is 7.25p making 11.75p (9.65p).

Results were at the upper end of analysts' forecasts, but the shares still eased 4p to 319p.

The profits advance came from three of Costain's four main divisions. The exception was mining, whose contribution at the trading level was marginally lower.

Housing produced the most striking advance with profits doubled from £12.5m to £25.8m, of which the UK accounted for £23m. The company completed 1,872 unit sales here, and the average selling price rose 36 per cent to £79,000. The number of units sold in California totalled 117, while in Spain Costain has taken a local partner into its resort development, leading to an earlier-than-projected contribution.

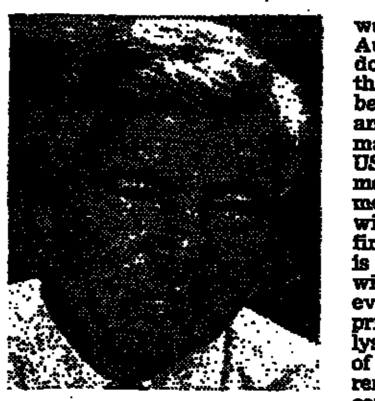
Mr Peter Costain, chief executive, suggested yesterday that the company still expected the average UK selling price to advance in the current year, but said that domestic housing starts were currently down by around 30 per cent.

Property, too, showed a marked advance, from £18.8m to £24.1m. There was a £50m revaluation surplus in the UK, where the portfolio was valued at £229m. The Australian portfolio was £28m.

The latter made little contribution to profits last year. However, Costain this month plans to launch a property trust to acquire the first stage of its joint venture Riverside Quay scheme in Melbourne.

Within engineering/construction, profits benefited from loss-elimination on the UK civil engineering side, and rose to £22.4m (£14.3m). Overall, the group said its Australian business was buoyant, and in the UK volumes were good but margins were still a problem. It suggested prospects were encouraging in UK construction and civil engineering for the next few years, while offshore engineering was recovering from two poor years.

The mining division saw profits down from £33.2m to £32.5m, with some of the US equity coal mines suffering a fall in average selling prices as certain term contracts expired.



Peter Costain: current housing starts falling

A £10.9m (£6.1m) extraordinary item included the costs of pulling out of gold-mining in Australia.

● COMMENT

Costain shareholders have finally seen the group move off its profits plateau - and in style. That said these figures had been broadly anticipated. Even the flat mining division results caused few raised eyebrows, although some analysts were more surprised at the Australian gold-mining shutdown, guessestimating that this may hit above, as well as below, the line. Spared that, and with some volume and margin improvement on the US/Australian coal operations, most expect a modest improvement here in the current year, with the possibility of more fireworks thereafter. Housing is a bit of an unknown: the US will chip in more strongly but even if average UK selling prices do not fall directly, analysts point to the added costs of shifting homes in the current market. Still, if unit sales can make around 1,600, there may yet be a marginal advance. Construction, too, is earmarked for steady rather than dramatic progress, so it seems that property - helped by an Australian contribution - will be left to do the star turn. All in all, the City hopes this will add up to £103m-£105m in the current year, putting the shares on a multiple of around 8.5. That still contains a bit of premium for Trafalgar's 8.5 per cent stake - at a time when placings rather than bids seem to be the order of the day. But the shares are probably solidly underpinned at the 300p-310p level.

Profits slip to £5.1m at Associated Fisheries

A £1.64m drop in investment income to £1.03m at Associated Fisheries, the food processor and cold storage group, contributed to an erosion of pre-tax profits from £5.69m in the year to September 30 1987 to £5.08m in the 15 months to December 31 1988.

The company's year-end been changed at the request of the parent company, Eastern Produce (Holdings). Turnover for the 15-month period was ahead at £127.91m (£103.53m for the previous 12 months), while the cost of sales rose to £109.24m (£86.22m). Group operating profits advanced to £5.18m (£3.94m).

The company said that there was no repeat of the previous period's substantial capital gain in the US and net interest less investment income resulted in a charge of £103,000. This time tax took £1.62m, against a credit of £1.41m in the previous period, while there was an extraordinary credit of £6.42m (£951,000), relating to the disposal of the restaurant business and the release of a tax provision no longer required.

Earnings per share worked through at 19.66p, against 40.24p last time, although before the release of deferred tax in the year to September 30 1987, earnings were 22.53p. The directors propose to pay a final dividend of 5p (4p), making a total for the 15 months of 6p, compared with 5p for the previous period.

At the interim stage, operating profit had been 28 per cent ahead of the corresponding period, but that in the following nine months some of the ground gained was lost, due largely to the absence of profit of the fish restaurant business following its disposal.

Aspen in 45% growth despite specialist printing setback

By John Ridding

ASPEN COMMUNICATIONS, the USM-quoted corporate video, media, mobile communications and specialist printing company, overcame shortfalls at its business forms division last year to record pre-tax profits of £4.96m, a 45 per cent increase on 1987.

Turnover, boosted by strong markets in its corporate communications and mobile telephone divisions, grew by 51 per cent to £37.76m and earnings per share were up from 22.8p to 33.2p. A final dividend of 4.5p (3.5p) has been recommended giving a total of 6.5p (5.1p).

In addition there was an exceptional credit of £102,000, resulting from the gain on the sale of its base in Wiltshire.

Corporate communications saw an increase in profits and turnover of almost 75 per cent, partly reflecting the contribution of Edit Art, a post-production video editing facility, which was acquired in December 1987. The airline video entertainment business also experienced strong growth.

Since the end of the year, however, the division has been undergoing significant reorganisation, including the relocation of its businesses. This, combined with capital expenditure of around £4m has resulted in a fall in profits in the first quarter. However, Mr Henry Meakin, chairman, said that full year profits were expected to show growth over last year.

The mobile communications division, which along with corporate communications represented the bulk of earnings, experienced a 50 per cent increase in pre-tax profits.

Problems were experienced, however, at the specialist printing division. Pensord, printer of business magazines, suffered from productivity problems and two lost contracts, and business forms production suffered from tighter margins and a consequent fall in profits.

Mr Meakin said that the volume of business lost in Pensord had now been recovered although the mix was not as favourable as previously. He added that with the acquisition of Heanor Gate, specialist promotional printer, earlier this year, the division should exceed 1987's figures.

Since the end of the year Aspen has made two other acquisitions – Intermark, a marketing agency, and Crystal Film and Video, a supplier of equipment and personnel to the television services industry.

● COMMENT

Aspen surprised nobody with another set of strong figures - an achievement which was particularly impressive given the hiccup in specialist printing. But the brakes which have been absent over the last five years are now being applied. The first half of the current year will obviously suffer from the expenditure and dislocation involved in relocating staff around the country and in upgrading plant and, as a consequence, earnings growth in the first half will be constrained. The second half, however, will be a different story. With the upheaval out of the way the strong underlying growth will become evident. The recent acquisitions will provide a significant contribution, particularly in the marketing services division, and trading should remain strong in both corporate and mobile communications. In the former there is the additional boost of recent contracts to supply video products to two US airlines. The net effect implies pre-tax profits of around £8m putting the shares on a multiple of almost 13 and at a justifiable premium to the market.

Siemens reveals plan for Plessey

By Hugo Dixon in Munich

SIEMENS, the West German electronics giant, yesterday spelt out for the first time its plans for Plessey's micro-electronics and research activities should its joint bid with GEC of the UK for the British electronics manufacturer prove successful.

The Anglo-German consortium is waiting for clearance from Lord Young, the Trade and Industry Secretary, to proceed with a new bid for Plessey. A decision is expected within the next 10 days.

During a press visit to the central research facilities near Munich, Siemens executives said Plessey's microchip and research laboratories would be maintained and probably enhanced following a takeover.

The promises are intended to allay fears that a takeover would lead to the dismemberment of key parts of Britain's electronics industry. Plessey has some of the finest research laboratories in the country and the UK's only significant microchip business.

On many points of detail, however, Siemens refused to commit itself, saying these could only be determined after a successful bid.

Plessey's two main research laboratories at Roke Manor and Caswell will be kept following a takeover, Siemens said. They will be run as a 50-50 joint venture, providing research facilities to both parents on a contract basis.

Professor Hans Danielmeyer, head of Siemens research and development, said he did not envisage problems keeping the laboratories occupied.

In microchips, the initial intention is to run Plessey's business also as a 50-50 venture with GEC. However, Mr Jürgen Knorr, head of Siemens semiconductor division, suggested this might be altered at a later date to give Siemens a larger share, provided GEC could be guaranteed a supply of chips for its defence electronics business.

Mr Knorr said that Siemens intended to use Plessey's chip factory at Roborough as its key plant for making specialised chips – known as application specific integrated circuits – for the world market.

However, he refused to commit himself finally on this point until he had had a chance to visit the plant. "There will be time enough after the deal. First you have to get the bear."

Mr Knorr also appeared to cast doubts on whether Plessey's research in gallium arsenide, a new type of material for making chips, would be maintained. "They have too much capacity, we have too much capacity. We might come to the conclusion that some rationalisation would be necessary."

However, he later clarified this statement by saying he did not mean a reduction in the number of engineers working on gallium arsenide but a refocusing of their activities.

Lyles up 17% but warns on full year

Pre-tax profits of S Lyles, the carpet yarn manufacturer, showed an increase of 17 per cent to £491,000 in the six months to end-December on record turnover of £11.42m, up from £9.68m. But Mr John Lyles, chairman, warned that a reduced profit figure was likely for the full year.

The interim dividend is held at 1.5p from earnings of 4.18p (3.5p) after a tax charge of £167,000 (£146,000).

Randsworth deals reduce gearing to 90%

By Paul Cheeseright, Property Correspondent

RANDSWORTH TRUST, the property company which has been building up an investment portfolio in the West End of London, has completed the sale of properties worth £70m and exchanged contracts for the purchase of another for £17m.

The result of the transactions is to reduce Randsworth's gearing to 90 per cent from 100 per cent. This is partly a response to high interest rates, but Randsworth had already indicated that it would be making sales of properties outside the main line of its interests.

The sales include the completion of the previously announced sale of a property at Wilson Street in the City of London for £38m. The balance comes from properties which are either on a short leasehold or which are secondary to the growth of a portfolio in the West End; they include offices in Slough and car parks in Ramsgate and Margate.

Randsworth is purchasing the freehold and occupational lease of a property on Oxford Street, adjacent to its acquisition for £56.5m last January of St Christopher's Place.

Downturn to £0.6m at Rea Brothers

SHARES IN Rea Brothers, the City merchant bank, yesterday fell 7p to 73p as the group unveiled pre-tax profits of £600,000 for 1988, down from £1.32m in the previous year.

At the midway stage, Sir John Hill, chairman, said he expected an improvement in trading performance following a programme of rationalisation and cost reduction.

Yesterday, however, Sir John said that profits had been affected by further redundancy and reorganisation costs incurred in London.

Describing the outcome as "disappointing", Sir John said it was the "inevitable result of a year of reorganisation against a background of reduced business volume in the markets in which we operate."

Following a tax credit of £20,000 (charge of £582,000), basic earnings per share were 1.59p against losses of 0.59p last time. A proposed final dividend of 0.25p gives 0.5p for the year.

Last year's payment amounted to 0.65p representing the interim dividend. The proposed final of 1.1p was voted down at the group's annual meeting by Finsbury Asset Management which speaks for some 36 per cent of the shares.

An extraordinary credit of £400,000 relates to the surplus arising on the disposal of the insurance broking operations.

COMPANY NEWS IN BRIEF

BEAUFORD has purchased Bradford Cylinders for £950,000 cash, subject to a reduction should audited net assets at March 31 1989 be less than £650,000.

CAULDON GROUP, through a wholly-owned subsidiary Cauldoncare, has entered into conditional contracts to acquire two nursing homes: one in Llandudno, Gwynedd, for £810,000 and another in Bebington, Merseyside for £475,000.

ESTATES & GENERAL Investments has sold its 13,000 sq ft office and showroom building in Amersham, Bucks for £1.2m. The purchaser is Merritts of Amersham, a Jaguar dealership.

FIFE INDMAR has acquired the heritable property, plant and equipment, stock and certain patent from the receiver of James Hamilton and Sons (Engineering) for £250,000 cash.

FILMTRAX has acquired J&B Records – the only publicly listed record company on the Australian stock market – for A$10m (£4.8m).

VAUX GROUP has acquired Wyton, which owns a nursing home, for £712,500. The purchase will be satisfied by the issue of 35,000 ordinary shares and £612,500 cash.

COMMODITIES AND AGRICULTURE

Tin price registers biggest gain since 1985 collapse

By Wong Sulong in Kuala Lumpur

THE TIN price on the Kuala Lumpur market *yesterday* leapt 1.5 ringgit to R28.67 a kilogram ($10.444 a tonne), the biggest single daily increase since the collapse of the tin market in 1985.

Later the European free market tin price, which had broken through the $10,000 barrier on Wednesday, was set at $10,700 a tonne, up $462.50 on the day.

The strength of demand on the Kuala Lumpur market was evident from the start when trading opened at R27.17 (Wednesday's closing price) with bids for 800 tonnes and offers of only 57 tonnes.

The Kuala Lumpur price has risen by more than 40 per cent since the start of the year and in the three trading days this week *it has risen by R2.38*. At yesterday's close it was a mere 48 Malaysian cents away from the "floor price" of R29.15 that the International Tin Council was trying to defend when it collapsed into insolvency three-and-a-half years ago.

The strength of the physical tin price was reflected on the Kuala Lumpur Commodities Exchange, where nearby futures prices registered unprecedented $500 a tonne rises.

KLCE traders welcome Wednesday's announcement by the London Metal Exchange that it was reintroducing tin futures from June 1.

"It will allow for arbitrage and I can see volume increases on the KLCE as a result," said one trader.

Meanwhile, Mr Samuel Hanan, general manager of Paranapanema, Brazil's largest tin mining group, said his country would sell 3,750 tonnes of tin over and above the 31,500 tonnes it had targeted for this year.

This follows the call by the Association of Tin Producing Countries for producers to release their existings stocks to meet the current "temporary shortage" in the market.

Mr Hanan said Brazil's production for this year was estimated at between 42,000 and 44,000 tonnes, and its smelters were already working at 90 per cent of the 48,000-tonnes-a-year capacity.

Palladium surges $10 to 8½-year peak

By Kenneth Gooding, Mining Correspondent

THE PALLADIUM price yesterday reached the highest level since late November, 1980, to reach $178.50 an ounce, up $10.50 from Wednesday. The strong rise induced sympathetic rises in platinum and gold prices.

Palladium was $140 an ounce three weeks ago and then surged because scientists said they might have produced nuclear fusion at room temperatures using electrodes of the precious metal in heavy water.

"The market was tight and there was no palladium to be had when the speculators moved in," Ms Rhona O'Connell, analyst with Shearson Lehman Hutton's London metals team, said. "This produced some panicky trade interest."

Ms O'Connell suggested that the palladium price had already risen too far but it could well go on to top $200 an ounce before speculators took their profits. "When it falls it will come down just as fast – but not as far," she added.

The fusion process had still to be verified, Mr O'Connell pointed out, and, even if it was verified, commercial development would take many years.

Palladium hit a record $335 an ounce in early March 1980 at a time of rampant inflation, political tension and an attempt by the Hunt brothers to corner the silver market. Precious metals prices soared to unprecedented levels at that time – gold touched $850 an ounce and platinum $1,050.

Ms O'Connell said gold and platinum yesterday were "dismally quiet." Nevertheless their prices moved up, gold's by $1.75 an ounce to $389 and platinum's by $8.50 to $539.

Wheat stocks seen 24% lower

By David Blackwell

WORLD WHEAT stocks at the end of the 1988-89 season will be 103m tonnes – down from 135m tonnes at the end of the previous year, according to the latest market report from the London-based International Wheat Council.

The biggest part of the decline will be in the US, where stocks at the end of May this year are expected to fall by nearly 20m tonnes to 14.9m tonnes.

US stocks of coarse grain are forecast at 62m tonnes instead of the previous 134m tonnes, the fall forming the major part of a 40 per cent decline in world coarse grain stocks to 120m tonnes.

However, world wheat production in 1989-90 is forecast to rise to 538m tonnes, compared with a previous 504m tonnes. The latest forecast is slightly down on last month's, mainly because of weather problems in the US, where drought has hit the major producing state of Kansas.

The drought and "winter-kill," whereby crops suffer frost damage because of lack of snow cover, are expected to leave US winter wheat output at 46m tonnes, an increase of only 3.5m tonnes over last year in spite of an increase of 7m hectares in total sowings.

The total wheat harvest from the US is expected to be 60m tonnes, assuming a recovery in spring wheat output after last year's drought.

● With *little left in prairie* bins after last summer's severe drought, Canada's wheat exports for the 1988-89 crop year are projected at only 11.7m tonnes, down from 23.6m tonnes in 1987-88, writes Robert Gibbens in Montreal.

This will mean Canada's share of the world wheat basket will drop to about 12 per cent from 20 per cent in recent years and a decline of about C$2bn ($985m) in export value, say Department of Agriculture officials.

The EC, by comparison, will raise its market share to 20 per cent from 14 per cent. The US dominates world wheat trade with 35 to 40 per cent of the market.

Farm groups are worried by the export market shift, saying the EC will try to consolidate its gains through heavy export subsidies.

However government economists say the trend can be reversed in two or three years of normal harvests and aggressive marketing.

Environment group highlights Japanese threat to forests

By John Hunt, Environment Correspondent

LARGE IMPORTS of timber by Japan will lead to the destruction of the remaining tropical forests of South-east Asia within 20 to 30 years if they continue unchecked, according to a report from the World Wide Fund for Nature (WWF) published yesterday.

The report makes recommendations for improving the situation. It suggests that Japan should use money from its large foreign aid budget to fund a major programme for the conservation and regeneration of these forests.

Japan is the world's leading importer of tropical timber and some of its major trading companies have logging interests in Malaysia, Indonesia and other major producing countries. The report names companies involved in Japan's tropical timber imports as Mitsubishi, Mitsui, C. Itoh and Sumitomo.

It says that Japan controls 29 per cent of the international timber trade and in 1987 consumed more than 20.6m cubic metres of timber. This is more than either the US or the European Community.

Japan currently imports nearly 70 per cent of all its tropical hardwood from the two Malaysian states of Sabah and Sarawak. The report says: "Logging operations in these states are threatening the *continued existence of some of the* most biologically valuable forest in the world."

Most of the imports are in the form of raw logs, which are low-priced in comparison with Japan's domestically-produced timber.

According to the report 96 per cent of Japanese plywood is made from tropical timber. At least a third of this is used in the construction industry as panelling for moulding concrete.

"Most of this ends up on the scrap heap after being used, on average, just two or three times," says the report.

It alleges that some 350,000 cubic metres of timber was illegally exported from the Philippines and smuggled into Japan in 1984. Even in 1987 after log exports from the Philippines had been totally banned more than 35,000 cubic metres were exported to Japan it says.

The report urges that the Japanese Government, the timber trade and end-users should discontinue wasteful uses of tropical timber.

"In addition Japan should increasingly look to temperate soft woods from sustainably managed forests and to alternative materials," it says.

The report suggests that a surcharge on tropical timber imports should be levied and used to finance sustainable tropical forest management as proposed by European timber traders for tropical imports into Europe.

Timber from the South Seas: An Analysis of Japan's Tropical Timber Trade and its Environmental Impact: WWF, Panda House, Weyside Park, Godalming, Surrey, GU7 1XR.

Coffee talks limp toward close

By David Blackwell

THE INTERNATIONAL Coffee Organisation today ends a fortnight of talks on the future of the coffee pact with little hope of agreement on anything except a further meeting in June.

The only new thing to come out of the talks so far this week has been a fresh proposal from Colombia, the second biggest producer, to solve the problems of the agreement, which expires in September.

But yesterday the US, the biggest consumer, rejected the Colombian plan, saying it would not solve the problem of cheap sales by producers to countries outside the ICO. Discounts of up to 50 per cent have been talked of in the non-member market, which has greatly angered the US.

The consumers agreed last week on a proposal for a universal quota, covering all coffee exports. But the idea has been firmly rejected by Brazil, the world's biggest producer, which wants the agreement to continue on similar lines to the present one, with tighter controls on exports to non-members.

"There has been no basis for negotiations," said one frustrated consumer delegate yesterday.

"The producers are at loggerheads. There are five substantive papers on the table and they are all mutually contradictory."

Brazil will not brook any proposal which would lead to a reduction in its exports. The so-called "other milds" producers feel justified in seeking a bigger share of the export quota, and the African robusta producers are fearful of losing the share in the market they already have.

India sets ambitious foodgrain target

By K.K. Sharma in New Delhi

A CONFERENCE of agricultural experts from all the Indian states has charted out a strategy for achieving the ambitious target of boosting foodgrain production to 175m tonnes in 1989-90.

The need to reach a high level of production has been underscored by the fall in the country's grain stocks and consequent rise in food prices in recent months. Stocks have fallen in spite of the anticipated record production in 1988-89 – now put at 168.6m tonnes. The Indian Government had earlier been hoping for a harvest of 170m tonnes.

The lower stocks are due to relatively poor procurement of grain by state purchasing agencies like the Food Corporation of India in the financial year that ended on March 31. Farmers, apparently anticipating higher prices later, have been reluctant to bring their crops to market. In addition, some economists believe, production has not been as high as the Government expected.

Nevertheless, if the hopes of last week's conference of agricultural officials materialise, higher production in 1989-90 should improve the stock position and obviate the need to make the substantial grain imports predicted recently by the UN Food and Agriculture Organisation.

The officials attending the conference hoped for a production of 95.17m tonnes from the coming kharif (summer) crop despite the fact that a good monsoon, on which agricultural output in India is still largely dependent, rarely comes in two successive years. The country had record rainfall last year after four years of drought that led to a stagnation in agricultural production.

The overall strategy for raising production in the summer will rest on increasing the area under high-yielding varieties of rice in irrigated and rain-fed areas, diversification of the varieties, adoption of improved rice production technology and increased use of fertilisers.

Efforts are also to be made to increase production of oilseeds through a similar strategy, as heavy imports of cooking oil are aggravating the country's serious balance of payments problem.

Particular attention is to given to optimising use of irrigation water by preparing cropping patterns and water management schedules under the 47 major irrigation projects in the country. It has also been decided that improved and high-yielding varieties of seeds will be imported to increase production of cereals, lentils and oilseeds.

Regulation costs likely to 'obliterate' small brokers

David Blackwell on a company which found the charges too steep

THE WAY charges are levied for regulatory purposes under the Financial Services Act are almost guaranteed to obliterate small futures brokers, according to Mr Alan Harper, whose company recently announced its withdrawal from trading on the Baltic Futures Exchange.

Mr Harper is chairman of Coley and Harper, which has been one of the most active traders on the Baltic. He was also chairman of the Baltic International Freight Futures Exchange (Biffex) and vice-chairman of the BFE itself.

While a firm supporter of the FSA, Mr Harper is strongly critical of the cost structure of the Association of Futures Brokers and Dealers (AFBD), the City's self-regulatory organisation for the futures industry. The AFBD charges a levy of £1,750 per employee per year, with a cut-off at 50 employees. Mr Harper believes that the charge should be made per lot traded.

Coley and Harper, which employed nine, had 50 per cent of the grain futures market. Mr Harper pointed out that under the FSA the Grain and Feed Trade Association (Gafta) had to introduce a clearing house and consequently raised its market fees from 60p to £1 a lot.

"My company has been a major trader with 60,000 to 65,000 lots a year – 40p times 60,000 is £24,000 a year as an absolute direct charge. We are a small company and it comes straight off our income."

He estimates that the cost to his company of the FSA has been £55,000 in a year. This comprises £20,000 to the AFBD, £25,000 in extra market fees following the introduction of the Gafta clearing house, £30,000 for an extra staff member, and £20,000 to upgrade the computer system.

In addition the company faces a rent review this year, and expects its charges to double.

In the year to the end of April 1988, Coley and Harper had a brokerage turnover of £650,000. Goode Durrant, the company which bought Coley two years ago, considers the profits on the futures operation as marginal. Coley will now concentrate on physical trading of dried fruits and seeds.

Mr Harper believes the company's withdrawal from the BFE could be the catalyst for increased commission charges.

"I regret we are the tool – but it may have the effect of demonstrating to the market that it needs a broad base." He adds that the company could be back if conditions change – "It's a withdrawal, we are not selling the seats," he said.

Mr Christopher Sharples, chairman of the AFBD, said this week that there were many reasons why the association had not gone for a levy per lot traded. But he added that charging members based on volumes traded rather than on staff numbers remained an option, and could be considered next year.

Meanwhile GNI, the big London futures broker, has taken over four of Coley's staff and several of its clients. Mr James Gray, manager of GNI's team at the BFE, said the move reemphasised the firm's commitment to the exchange.

"While the volumes traded on the various Baltic markets may sometimes appear small by comparison with some of the large high-profile exchanges, we believe that all five BFE markets (grain, soyabean meal, potatoes, meat and freight futures) trade instruments of real value to the agricultural and shipping industries," he said.

W Australian gold mine reopens after 35 years

By Kenneth Gooding, Mining Correspondent

TECHNOLOGY FOR extracting gold from ore developed over the past 15 years and a relatively high gold price have been responsible for bringing back to life the Big Bell mine in the Murchison district of Western Australia, which has been closed for 35 years but had its formal re-opening yesterday.

Between 1937 and 1954 Big Bell provided 22.8 tonnes of gold but there remains 80 tonnes of geological reserves to be won by the use of modern methods.

Over the next six to seven years an open pit will be developed which eventually will be 2.5 km long and 600 metres wide and become one of the biggest man-made holes in the world.

Then an underground mine will be developed with a life of another six or seven years.

Big Bell has been redeveloped so far at a cost of A$133m and another A$70m will eventually be needed to go underground.

During the open pit stage Big Bell will produce an annual 160,000 troy ounces of gold and the deep mine about 120,000 ounces.

Big Bell is jointly owned by ACM Gold and Placer Pacific. It raises ACM Gold's annual output to 250,000 ounces. Placer Pacific's attributable gold production will go up to 225,000 ounces.

WORLD COMMODITIES PRICES

LONDON MARKETS

LEAD was for the second day running the only LME base metal to show an advance, with profit-taking being well absorbed. But analysis do not see the rise continuing for much longer as there has been no significant change in the market's fundamentals. Zinc prices continued to fall, and traders said that now the three-month high grade price was below $1,600 a tonne, *a further drop to $1,520 was signalled* on the charts. The absence of supply problems which plagued the metal earlier this year was the main reason for the fall, they said. Nickel prices also continued downwards. Analysts said the market still seemed to be under pressure from merchant liquidation and some selling on behalf of major consumers in order to secure lower levels for the purpose of price-fixing second-quarter contracts.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$16.85-6.90z	+0.10
Brent Blend	$19.13-9.23z	+0.08
W.T.I. (1 pm est)	$20.62-0.65z	+.085
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$272-274	+5
Gas Oil	$158-160	+1
Heavy Fuel Oil	$90-92	-½
Naphtha	$180-182	+4
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$389.00	+1.75
Silver (per troy oz)♣	588c	-1
Platinum (per troy oz)	$539.0	+8.5
Palladium (per troy oz)	$178.5	+10.5
Aluminium (free market)	$2095	-5
Copper (US Producer)	146⅝-151c	
Lead (US Producer)	37.5c	
Nickel (free market)	650c	
Tin (European free market)	$10700.0	+462
Tin (Kuala Lumpur market)	28.67r	+1.5
Tin (New York)	494.5c	+22.5
Zinc (US Prime Western)	90⅛c	
Cattle (live weight)†	121.05p	+0.19*
Sheep (dead weight)†	245.65p	-4.81*
Pigs (live weight)†	98.42p	+4.09*
London daily sugar (raw)	$297.0v	-1.4
London daily sugar (white)	$331.0v	-0.5
Tate and Lyle export price	£286	-2
Barley (English feed)	£115.5	-0.5
Maize (US No. 3 yellow)	£133.50	+0.25
Wheat (US Dark Northern)	£125.75v	+0.50
Rubber (spot)♥	60.25p	+0.75
Rubber (May) ♥	*69.50p*	*+0.75*
Rubber (Jun) ♥	69.25p	+1.00
Rubber (KL RSS No 1 May)	305m	+1
Coconut oil (Philippines)§	$540.0v	-2.5
Palm Oil (Malaysian)§	$380.0x	
Copra (Philippines)§	$350	
Soyabeans (US)	$198z	
Cotton "A" index	73.60c	
Woottops (64s Super)	650p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Apr/May. u-Mar. q-Apr. x-May/Sep. w-May/Jun. z-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
May	763	760	765 750
Jul	775	772	778 765
Sep	787	781	789 780
Dec	823	813	824 814
Mar	812	803	811 805
May	811	803	812 803
Jul	821	811	820 815

Turnover 4560 (12112) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 13: 984.25 (975.58):10 day average for Apr 14: 1016.34 (1023.75).

COFFEE £/tonne

	Close	Previous	High/Low
May	1135	1120	1140 1115
Jly	1087	1085	1088 1073
Sep	1055	1042	1053 1040
Nov	1037	1034	1035 1025
Jan	1034	1032	1033 1028
Mar	1033	1033	1027 1026
May	1032	1034	1027 1024

Turnover 3468 (3402) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 12: Comp. daily 115.67 (115.23): . 15 day average 114.74 (114.74).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
May	265.60	265.00	263.40 261.20
Aug	264.60	254.00	265.40 261.00
Oct	263.40	263.00	255.20 259.00
Dec	262.00	264.00	262.00 260.00
Mar	257.60	258.00	257.60 255.00
White	**Close**	**Previous**	**High/Low**
May	331.50	331.50	331.50 336.00
Aug	325.00	323.60	326.00 320.50
Oct	316.00	315.50	316.50 312.00
Mar	304.00	302.00	304.00 301.00

Turnover: Raw 3967 (3444) lots of 50 tonnes. White 861 (1519).
Paris- White (FFr per tonne): May 2085, Aug 2055, Oct 1960, Dec 1930, Mar 1905, May 1900.

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	May	Jul	May	Jul
1950	148	141	9	63
2050	74	90	34	109
2150	28	54	88	171
Copper (Grade A)	Calls		Puts	
2900	224	189	13	117
3100	86	101	73	225
3300	20	43	206	368

FRUIT AND VEGETABLES

OUTDOOR rhubarb is widely available at 20-25p a lb (25-45p), reports FFVIB. New Zealand Royal Gala apples are in at 50-60p, as are Chilean Packham pears 40-50p. Oranges are 8-25p each, pineapples 50p-£2.00 and lemons 10-18p, all unchanged. Homegrown French and Jersey cauliflowers are abundant 30-75p (35-90p), thanks to mild weather. New arrivals include marrows from Italy 90p-£1.10 and Spanis broad beans 60-75p a lb. Spring cabbage remains 15-25p and Dutch and English onions are 14-20p. Imported heads of iceberg lettuce are now 45-60p each and round lettuce remain plentiful 20-30p. The prices of watercress 30-40p a bunch, celery 50-65p a head and Dutch and English cucumbers 50-80p each remain stable.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 10,475 tonne
Cash	2075-80	2095-100	2094	2083-4		
3 months	2035-40	2045-50	2070/2030	2048-50	2032-5	30,134 lots
Copper, Grade A (£ per tonne)						Ring turnover 34,825 tonne
Cash	*1875-6*	1881-2	1890/1885	1885-90		
3 months	1795-5.5	1801-2	1812/1788	1804-6	1771-2	71,638 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	584-6	586-8		583-5		
30 June	596-8	598-600		595-7		353 lots
Lead (£ per tonne)						Ring turnover 13,600 tonne
Cash	366-7	361-1.5	364/363	362.5-3.5		
3 months	364-5	363-4	366/363	363-3.5	363-4	9,583 lots
Nickel ($ per tonne)						*Ring turnover 1,152 tonne*
Cash	14350-400	14500-600	14500/14450	14450-500		
3 months	14200-50	14350-400	14350/14200	14325-50	14200-50	7,225 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 6,950 tonne
Cash	1635-40	1690-5	1665	1656-7		
3 months	1612-5	1660-3	1627/1600	1627-30	1610-20	8,606 lots
Zinc ($ per tonne)						Ring turnover 17,925 tonne
Cash	1620-5	1685-90		1645-50		
3 months	1560-3	1617-9	1615/1550	1578-80	1550-5	12,181 lots

POTATOES £/tonne

	Close	Previous	High/Low
May	150.0	144.0	156.5 145.5
Nov	92.5	92.0	
Feb	105.0	104.0	
Apr	139.5	136.1	140.0 138.0
May	155.5	144.5	151.0 150.0

Turnover 719 (417) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	162.00	162.00	
Jun	152.20	153.50	152.50 152.00
Aug	149.50	150.00	149.50
Oct	148.50	150.40	

Turnover 61 (511)lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Apr	1653	1642	1653 1640
May	*1649*	*1639*	*1650 1640*
Jul	1430	1396	1405 1390
Oct	1488	1488	1495 1488
Jan	1539	1535	1539
Apr	1580	1533	1580
BFI	*1619*	*1622*	

Turnover 564 (626)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
May	121.55	121.50	121.95 121.25
Jun	122.55	122.25	122.90 122.00
Sep	104.70	104.90	104.70
Nov	109.95	107.20	107.00 106.95
Jan	110.00	110.25	111.00 110.00
Barley	**Close**	**Previous**	**High/Low**
May	110.20	111.00	110.70 110.20
Sep	101.70	101.70	101.70 101.65
Nov	104.70	104.70	104.70 104.60
Jan	107.70	107.70	107.70
Mar	110.70	110.75	110.70
May	112.75	112.85	112.75 112.70

Turnover: Wheat 210 (343), Barley 71 (66).
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	388¾-389¼	229-229½
Opening	387¾-388¼	229-229½
Morning fix	387.80	228.198
Afternoon fix	390.25	229.329
Day's high	391¾-392¼	
Day's low	387¼-387¾	

Coins	$ price	£ equivalent
Mapleleaf	400-405	235-238
Britannia	400-405	235-238
US Eagle	400-405	235-238
Angel	400-405	235-238
Krugerrand	387-390	228-230
New Sov.	91½-92½	54-54¾
Old Sov.	91½-92½	54-54¾
Noble Plat	533.65-542.65	315.20-320.50

Silver fix	p/fine oz	US cts equiv
Spot	346.10	587.80
3 months	357.40	602.65
6 months	368.80	617.85
12 months	391.50	650.40

CRUDE OIL $/barrel

	Close	Previous	High/Low
Jun	18.43	18.31	18.69 18.42
Jul	*17.64*	*17.62*	17.88 17.64
Aug	17.20	17.10	17.36 17.20
IPE Index	18.27	18.38	

Turnover: 6426 (5721)

GAS OIL $/tonne

	Close	Previous	High/Low
May	153.75	153.50	156.75 153.50
Jun	149.25	148.00	152.00 149.00
Jul	147.25	147.75	150.50 147.25
Aug	149.00	147.00	150.50 148.75
Sep	152.00	151.00	152.00 151.00
Oct	152.50	154.00	152.50 152.00
Nov	152.50	153.00	153.00 151.75

Turnover 6803 (4618) lots of 100 tonnes

US MARKETS

IN THE METALS, palladium reached limit up after Russia announced a new use for the metal, reports Drexel Burnham Lambert. Platinum futures also touched the limit on heavy fund buying and elected stop orders. Gold and silver gained strength from the platinum and palladium. Copper trading was choppy as prices swayed between a 650 point range before *closing down. In the softs*, heavy switch activity was featured in the cocoa as prices gained 25 for the day. Coffee and sugar futures were both slow as each closed nearly *unchanged*. All of the grains had quiet days as a weaker dollar and rain in the midwest kept most markets steady. Corn futures girmed slightly on tehder news from Asia. Wheat also gained on commericial activity. The livestock markets were also slow as sideways trading was seen throughout the day. Weak fundamentals offset an oversold market in the bellies. Cattle and hogs closed mixed in light volume. Energy prices fell late in the session after early trade buying *vanished. Gasoline* futures lost ground on some profit taking.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Apr	390.3	388.2	393.0	389.8
May	391.4	389.3	0	0
Jun	394.2	392.1	396.9	392.7
Aug	393.3	397.2	402.0	398.0
Oct	405.0	402.9	405.5	405.0
Dec	410.7	408.6	412.0	409.9
Feb	416.3	414.2	416.5	417.6
Apr	422.1	419.9	422.8	422.5
Jun	427.9	425.7	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	565.8	531.8	561.0	535.0
May	565.8	531.8	0	0
Jul	558.3	533.3	558.3	537.5
Oct	559.3	535.3	560.3	540.0
Jan	561.3	537.3	562.0	550.0
Apr	563.8	539.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Apr	586.7	598.8	0	0
May	589.0	589.5	595.5	587.5
Jun	594.4	594.9	0	0
Jul	600.1	600.5	607.0	593.5
Sep	611.4	611.7	617.5	611.0
Dec	627.6	627.7	633.5	627.0
Jan	632.7	632.9	0	0
Mar	643.9	643.9	645.9	645.9
May	654.7	654.5	655.0	655.0
Jul	665.8	665.5	668.0	666.0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 12	Apr 11	mnth ago	yr ago
2020.3	2017.0	2012.2	1732.6

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	137.30	137.09	135.70	129.50
Futures	137.91	137.26	141.59	132.53

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	143.50	142.70	143.70	142.85
May	141.00	142.20	144.00	136.50
Jun	137.00	138.40	0	0
Jul	133.00	134.70	136.60	131.20
Sep	127.00	128.20	129.00	125.50
Dec	121.50	121.70	122.50	119.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
May	20.56	20.64	20.87	20.51
Jun	*19.65*	*19.74*	*19.87*	*19.60*
Jul	18.97	19.06	19.28	18.94
Aug	18.41	18.56	18.74	18.41
Sep	18.04	18.16	18.31	18.02
Oct	17.74	17.85	17.98	17.71
Dec	17.33	17.39	17.60	17.30
Jan	17.08	17.19	17.30	17.10
Feb	17.10	17.04	17.15	17.10

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
May	5260	5320	5370	5250
Jun	5070	5120	5175	5070
Jul	4970	5027	5060	4970
Aug	4965	5047	5085	4965
Sep	5050	5097	5135	5040
Dec	5250	5262	5250	5250

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1297	1272	1312	1288
Jul	1244	1226	1252	1232
Sep	1241	1225	1250	1230
Dec	1263	1245	1265	1250
Mar	*1254*	*1250*	*1263*	*1248*
May	1269	1250	1265	1255
Jul	1244	1226	1252	1232
Sep	1268	0	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	132.80	132.60	133.90	132.05
Jul	128.00	127.01	128.00	126.80
Sep	123.25	122.25	123.25	121.70
Dec	120.00	118.50	120.00	118.50
Mar	119.00	117.18	118.60	116.80
May	120.50	118.25	118.75	117.00
Jul	117.00	118.55	117.00	115.00
Sep	119.00	117.00	117.50	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	11.99	12.01	12.17	11.76
Jul	11.90	11.90	12.00	11.68
Oct	11.54	11.79	11.94	11.60
Jan	11.45	11.10	0	0
Mar	11.51	11.42	11.64	11.32
May	11.46	11.43	11.39	11.35
Jul	11.43	11.48	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	64.78	64.30	64.90	64.15
Jul	65.64	65.28	65.65	65.15
Oct	64.91	64.95	65.30	64.60
Dec	64.20	64.32	64.50	63.95
Mar	64.50	64.30	*65.00*	*65.00*

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	167.70	168.90	*168.75*	*167.70*
Jul	170.70	171.60	171.25	170.50
Sep	167.60	168.50	168.25	167.50
Nov	167.50	168.05	168.00	*167.50*
Jan	154.50	155.25	155.00	154.05
Mar	153.75	*154.50*	0	*0*
May	153.75	154.50	0	0
Jul	153.75	154.50	0	0
Sep	153.75	154.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	727/0	727/4	729/4	722/2
Jul	738/0	738/4	741/0	733/4
Aug	738/2	738/0	740/4	734/0
Sep	728/0	725/6	729/4	722/4
Nov	720/6	721/4	723/4	717/4
Jan	729/6	731/0	732/0	726/4
Mar	738/0	740/0	741/4	736/4
May	745/0	746/0	748/0	744/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	22.24	22.43	22.45	22.19
Jul	22.84	23.03	23.08	22.79
Aug	23.15	23.34	23.34	23.09
Sep	23.42	23.59	23.58	23.35
Oct	23.63	23.80	23.75	23.60
Dec	24.05	24.21	24.18	23.98
Jan	24.27	24.41	24.30	24.15
Mar	24.80	24.82	24.80	24.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	224.7	224.4	225.6	223.1
Jul	223.7	223.2	224.5	222.1
Aug	221.7	221.5	222.5	220.8
Sep	219.5	219.4	220.0	218.3
Oct	217.3	217.2	218.0	218.0
Dec	216.0	215.7	216.5	215.0
Jan	*218.1*	215.4	*218.5*	*215.0*
Mar	215.5	215.4	216.0	215.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	268/6	267/6	268/6	268/6
Jul	269/6	269/0	269/6	266/0
Sep	262/4	263/2	263/6	261/2
Dec	261/6	262/2	262/6	260/0
Mar	267/6	269/2	269/4	266/0
May	269/0	270/6	271/4	268/0
Jul	270/6	272/2	273/0	269/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	408/6	403/0	409/0	402/2
Jul	396/6	395/6	397/4	393/2
Sep	404/4	402/2	404/4	400/4
Dec	416/4	414/4	416/4	412/4
Mar	422/0	420/0	422/0	418/0
May	416/0	415/0	416/0	414/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	73.97	76.45	76.60	75.85
Jun	70.95	70.87	71.25	70.75
Aug	67.35	67.47	67.85	67.27
Sep	68.10	68.10	0	0
Oct	68.87	68.52	69.00	68.58
Dec	70.00	70.00	70.20	69.72
Feb	70.60	70.60	70.70	70.30
Apr	71.55	71.70	71.60	71.46

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	40.12	39.95	40.35	39.80
Jun	45.80	45.85	46.00	45.70
Jul	46.57	46.60	46.80	46.45
Aug	45.52	45.22	45.60	45.25
Oct	41.75	41.72	41.95	41.65
Dec	43.50	43.55	43.50	43.30
Feb	44.60	44.65	44.85	44.55
Apr	43.90	43.70	43.90	43.55

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	33.05	33.30	33.65	33.15
Jul	33.62	33.55	33.85	33.47
Aug	32.90	33.10	33.40	32.88
Feb	47.15	46.95	47.35	46.55
Mar	46.80	46.55	46.65	46.35

FINANCIAL TIMES SURVEY

Increased safety of the Gulf sealanes, an easing of regional tension and stability in oil prices have helped to create a mood of confidence among businessmen. The talk in the emirate is now of diversifying the oil-dependent economy, writes **Victor Mallet**

The economy gathers pace

A YEAR AGO the Gulf war between Iran and Iraq was beginning to make itself felt in the United Arab Emirates in a manner that could no longer be ignored. Ships had struck mines close offshore in 1987, and in April 1988 an Iranian gunboat attacked the Sharjah emirate's Mubarak oilfield, temporarily shutting down the installations and echoing an Iranian attack two years previously on Abu Dhabi's Abu al-Bukhoosh field.

The Gulf war ceasefire in August was therefore of immediate benefit to Abu Dhabi, the richest and largest of the UAE's seven emirates and home of the federal capital. The easing of regional tension and the increased safety of the Gulf sealanes, combined with a period of relative stability in oil prices, has helped to create a confident mood among businessmen and members of the ruling elite.

Abu Dhabi is a society almost entirely dependent on exports of oil and gas. With the resulting imports of capital goods, consumer products and foreign expertise, it has been transformed in less than a generation from a desert sheikhdom into a thriving, free enterprise, modern economy.

When Wilfred Thesiger, the British traveller, saw Abu Dhabi town in 1948 it had only 2,000 inhabitants. "A large castle dominated the small dilapidated town which stretched along the shore. There were a few palms, and near them was a well where we watered our camels," he wrote in his book *Arabian Sands*. "Then we went over to the castle and sat outside the walls, waiting for the sheikhs to wake from their afternoon slumbers."

Thirty years later he returned. Remembering the harsh beauty of life in the desert before cars and skyscrapers, he found the transformation appalling. Abu Dhabi, he wrote, was "an Arabian nightmare, the final disillusionment."

Few of its inhabitants would agree, although they might concede that the city is a place of unabashed modernity, delighting in its office blocks and garishly-lit fountains along the Corniche.

Sheikh Zayed bin Sultan al-Nahyan, the 73-year-old ruler of Abu Dhabi and President of the UAE, was once in charge of the Eastern Region. He took Mr Thesiger on a falconing expedition from the Buraimi Oasis 40 years ago, but their views on the benefits of development differ markedly. In 1966 Sheikh Zayed became ruler in place of the deposed Sheikh Shakhbut (his older and more old-fashioned brother who died in February this year) and has since pursued a vigorous policy of modernisation.

In the strictest commercial sense not all the money is wisely spent, but there is plenty more where it came from. Sheikh Zayed has led the way in the UAE in encouraging agriculture and the planting of trees to "green the desert", an endeavour which either uses costly desalinated water or depletes underground aquifers. Bulldozers are hard at work flattening the sand dunes for more planting around Liwa, near an empty four-lane highway which serves the area's small villages.

It is also true that competition rather than co-operation is often the rule between the different emirates, and the UAE has a plethora of ports and airports. Abu Dhabi, with its population of some 700,000, will shortly have its second international airport at al-Ain — the sixth in the UAE.

The Abu Dhabi economy, lacking Dubai's long-standing involvement in trade and re-export by the merchant community, is essentially dependent on government spending — and government spending depends on oil revenues. Since 1981, the UAE's oil and gas income has been more than halved by falling prices, and consolidated government revenues have dropped by more than 60 per cent.

In Abu Dhabi, the main oil producer in the UAE and the source of most of the federation's money, capital projects suffered while current expenditure was maintained by means of local borrowing and a drawdown of reserves.

This year, however, the overall climate has improved. A small boom in construction is under way, fuelled by the replacement of decaying buildings thrown up in the first flush of Abu Dhabi's wealth two decades ago, and by the coming of age of younger sheikhs keen to invest in property. There are other signs of economic strength. Rents are rising, visa applications from foreigners have increased, and the shares of some Abu Dhabi companies have doubled in value.

"Business is picking up," says Mr Saleh Rashed al-Dhaheri, Director General of the Abu Dhabi Chamber of Commerce and Industry. "The price of oil is becoming more stable. That will enable us to plan better for future projects." The Gulf war ceasefire, he says, has soothed the atmosphere in the region.

Businessmen agree. "People's confidence has increased," says one. "The economy of Abu Dhabi is a project-oriented economy and the government is spending more on projects."

Abu Dhabi is nevertheless aware that its dependence on oil and gas is a potential weakness. Traditionally more cautious than the freewheeling traders of Dubai and Sharjah, Abu Dhabians are beginning to talk about diversification. The efficiency of Port Zayed, previously overshadowed by the pre-eminence of Dubai's Port Rashid, is being improved, and re-exports have increased. There are plans to lure more tourists to Abu Dhabi. Local industry — at present only rudimentary — is being encouraged.

"We don't want to rely just on oil exports," says one of Sheikh Zayed's advisers. "People have got used to enjoying money, but the question is how long is the honeymoon going to continue?"

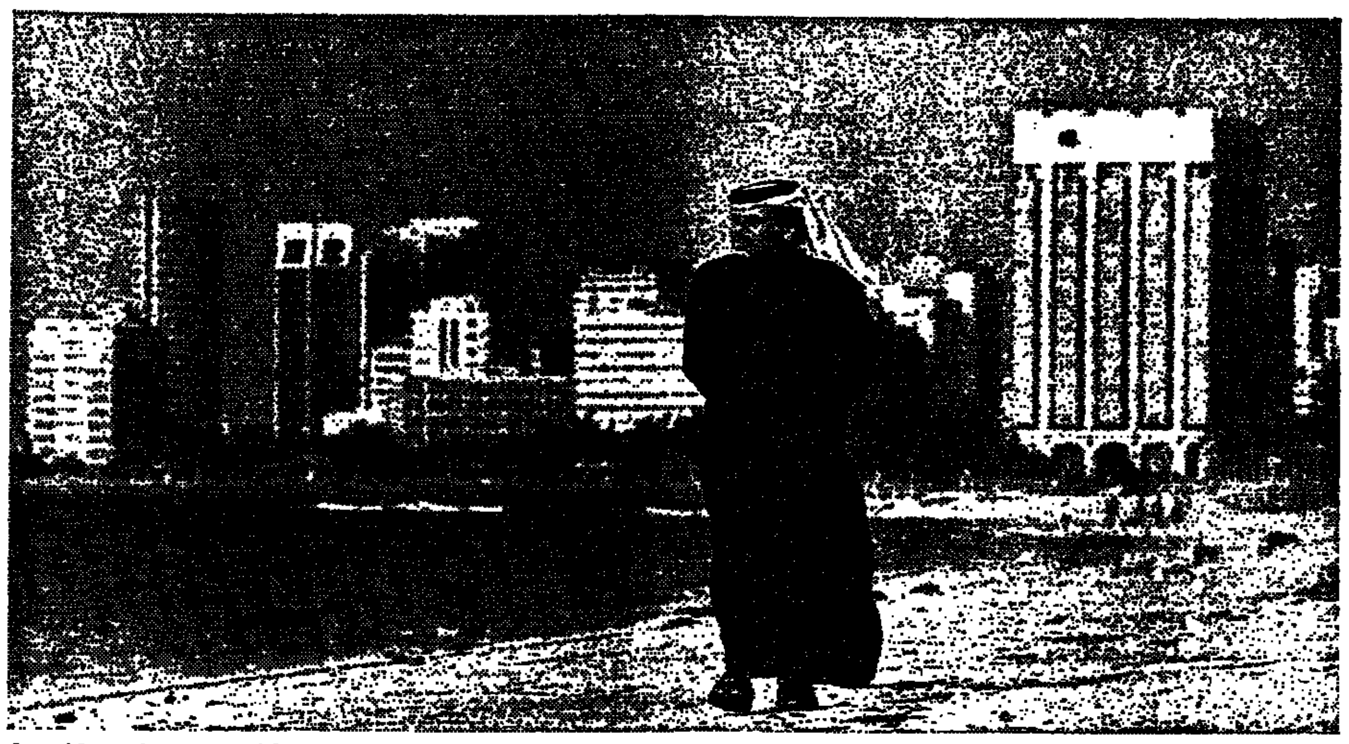
Unlike Saudi Arabia, Abu Dhabi has not yet attempted to become a major exporter of petrochemicals. Instead, like Kuwait, it has used oil income from the good years to buy foreign investments which can provide a cushion when times are hard in the oil business. The Abu Dhabi Investment Authority is thought to have about $40bn in assets.

The problem with the establishment of any local industry is that it generally means importing more foreign labour. Abu Dhabi is easy going and welcoming to foreigners, but it is understandably reluctant to see its own population overwhelmed. Already three quarters of the inhabitants and more than 90 per cent of the workforce are foreigners, many of them from the Indian subcontinent.

Abu Dhabians are among the world's richest people, but their numbers are rapidly increasing and they will eventually have to take more than the most senior jobs.

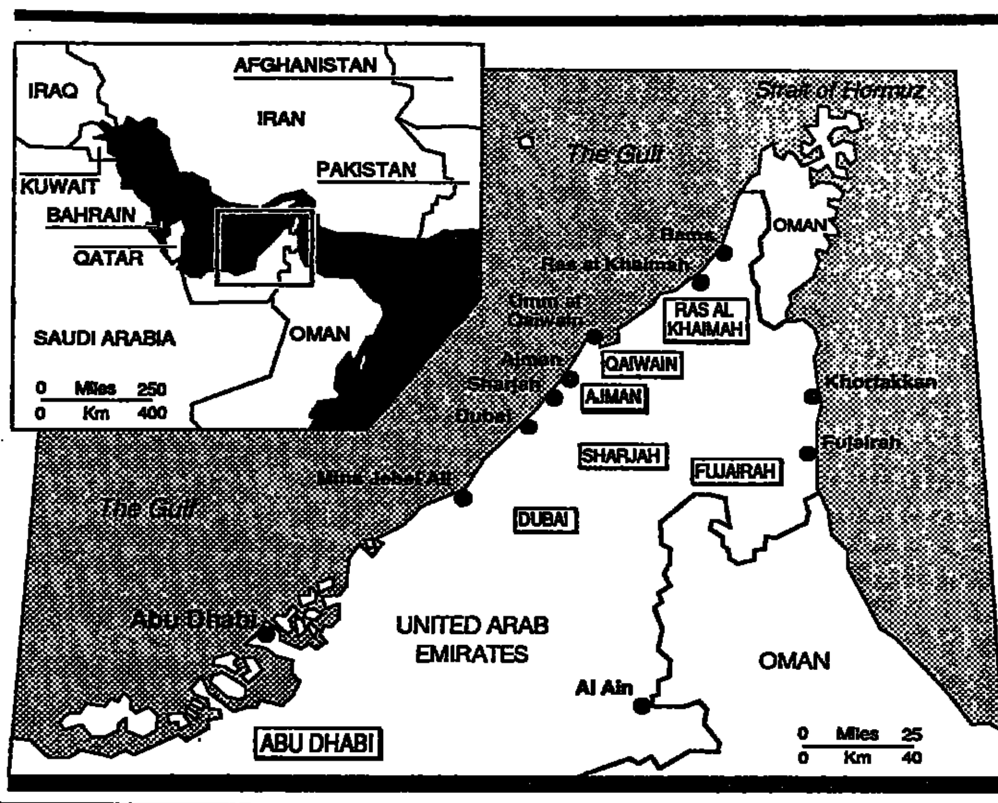
With this in mind, Sheikh Nahyan bin Mubarak, the young Oxford-educated Chancellor of the UAE University at al-Ain, is working with his colleagues to push the majority of students away from the arts and towards technical subjects. Higher colleges of technology are being set up all over the country for the same purpose. Sheikh Nahyan sees too many sociologists and historians for

Continued on Page 4



A resident of Abu Dhabi in contemplative mood walking along the beach with the city's developed skyline in the background

ABU DHABI
United Arab Emirates



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KEY FACTS

Population: 670,000 (1985)
Area: 67,350 sq km
Ruler: Sheikh Zayed bin Sultan al-Nahyan, President of the United Arab Emirates
Currency: UAE dirham (Dh) = 100 fils
Current exchange rate: \$ = Dh3.67; £ = Dh6.23 (April '88)
Crude oil output: 1.2m b/d
oil reserves: 92bn barrels (end 1987)
natural gas reserves: 180 trillion cu ft
Major imports:
machinery/transport equipment 47.2%;
basic manufactures 15.73%;
food and live animals 15.18%
All figures 1987 unless stated otherwise

Victor Mallet on the petroleum sector

Search for new outlets

Of Quota, my worries over you
Are in my inner depths engraved.
In all my meetings you appear
As a bomb fitted with a time fuse.
In you we disclose some figures
In secret notes, we hide others.

His words may have lost something in the translation from Arabic, but so wrote Dr Mana Said al-Oteiba, poet and Petroleum Minister of the United Arab Emirates, about a meeting of the Organisation of Petroleum Exporting Countries (Opec) in 1982.

Seven years later, the worries remain. In November the UAE won a small Opec quota increase of 40,000 barrels a day, taking its official production limit up to 988,000 b/d. That compared with actual output of 2m b/d – or more than double its quota – at the end of last year, and with public demands from the UAE for a quota of 1.5m b/d to match its substantial reserves.

The UAE is a chronic over-producer within OPEC, although it has begun to curb its output in the first three months of this year following the latest Opec agreement, possibly to below 1.5m b/d.

Whenever the UAE cuts its production, it is Abu Dhabi which bears the burden. The emirate has 85 per cent of the country's oil but only accounts for about two thirds of its current production. Most of the rest of the output comes from Dubai, which traditionally produces as much as it can, ignoring Opec appeals and pleas from Abu Dhabi.

Abu Dhabi can at least take comfort from the fact that it will have plenty of oil for decades to come when Dubai's reserves are long gone. In common with other Opec countries, the UAE has drastically revised its recoverable reserve figures. Abu Dhabi's estimate has tripled to more than 92bn barrels, and Dubai's has doubled to 4bn, to increase UAE leverage within Opec and to take account of worldwide technical advances which allow higher recovery rates from known reservoirs. Abu Dhabi has also doubled its figure for gas reserves to reach more than 180 trillion (million million) cu ft.

More important in the short term is Abu Dhabi's decision to reorganise and centralise the administration of its petroleum sector. In June last year an 11-member Supreme Petroleum Council (SPC) was established to replace the old Petroleum Department and the board of the Abu Dhabi National Oil Company (ADNOC), which had ill-defined and overlapping areas of responsibility.

One effect of the changes, which have been welcomed by Abu Dhabi's foreign partners, has been to increase the influence of the highly respected US-educated Mr Suheil al-Mazrui, now general manager of ADNOC and secretary general of the SPC.

In Abu Dhabi oil affairs Dr al-Oteiba has been sidelined by the recent changes, but he remains responsible for Opec affairs and is an SPC member. The SPC is chaired by Sheikh Khalifa, the Abu Dhabi Crown Prince.

After a period of belt-tightening caused by the low prices of recent years, the Abu Dhabi oil industry is going through a period of consolidation. Early in 1989 only 11 drilling rigs were operating onshore and offshore – mostly on maintenance and refurbishment work – where previously there were three times as many. If it sticks anywhere near its Opec quota, the UAE has plenty of spare capacity, and little exploration work is being done in Abu Dhabi.

In the immediate future, the most likely developments are the de-mothballing of the difficult onshore Bab field (which can produce more than 20,000 b/d of oil as well as associated gas) and a decision to develop an offshore gas field to secure supplies to the Abu Dhabi Gas Liquefaction Company (ADGAS).

Most of Abu Dhabi's oil is produced onshore by the Abu Dhabi Company for Onshore Oil Operations (ADCO), which is 60 per cent owned by the state through ADNOC. The other partners are BP, Shell, Total CFP, Mobil, Exxon and Partex. Abu Dhabi Gas Industries (GASCO, majority owned by ADNOC with Shell, Total CFP and Partex as the other shareholders) uses onshore gas to produce natural gas liquids for export.

ADNOC has a 60 per cent stake in the offshore Abu Dhabi Marine Operating Company (ADMA-OPCO), with BP, Total CFP and Jodco as its partners. Also offshore is the Zakum Development Company which operates the huge but difficult Upper Zakum field, developed at the high cost of some $5bn.

ADGAS, using offshore associated and non-associated gas, exports liquefied natural gas and liquefied petroleum gas from its Das Island Plant. ADNOC is the majority shareholder in ADGAS, with BP, Total CFP and Mitsui holding the rest.

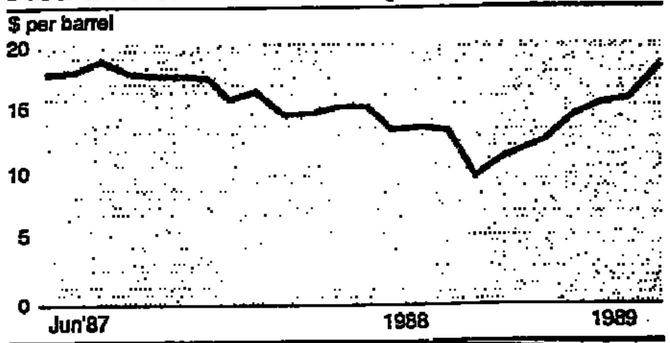
Abu Dhabi has a ready market for its crude oil and gas in Japan and elsewhere. However, it has now begun to consider the possible advantages of adding value to its production with petrochemical plants and refineries, at the same time as making downstream investments.

So far the emirate has moved cautiously. It has a fertiliser complex, and two refineries with a total capacity of just under 200,000 b/d, some of which is for local consumption. There are no immediate plans for any more such projects at home.

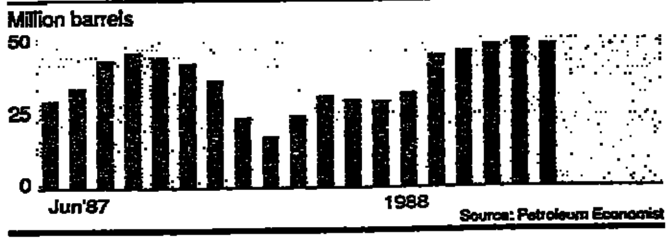
The International Petroleum Investment Company (IPIC) was formed in 1984 to make investments abroad. It is looking at about 15 proposals, but its only purchase so far is 12 per cent of Compania Espanola de Petroleos, a Spanish refining company, which gives Abu Dhabi an outlet for some 60,000 b/d of its crude oil exports.

Mr Khalifa Mohammed al-Shamsi, IPIC's managing director, says that any investment is conditional on the company concerned reaching a crude oil supply agreement with ADNOC. "We are looking for an alternative secure outlet for part of Abu Dhabi's petroleum exports," he says. "We have quite a lot of offers from various countries, but we are very selective."

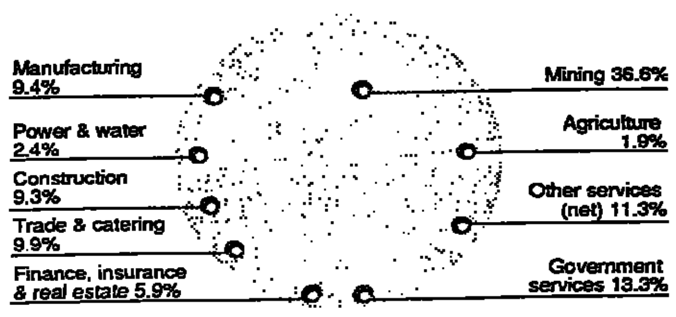
Abu Dhabi: Murban oil price



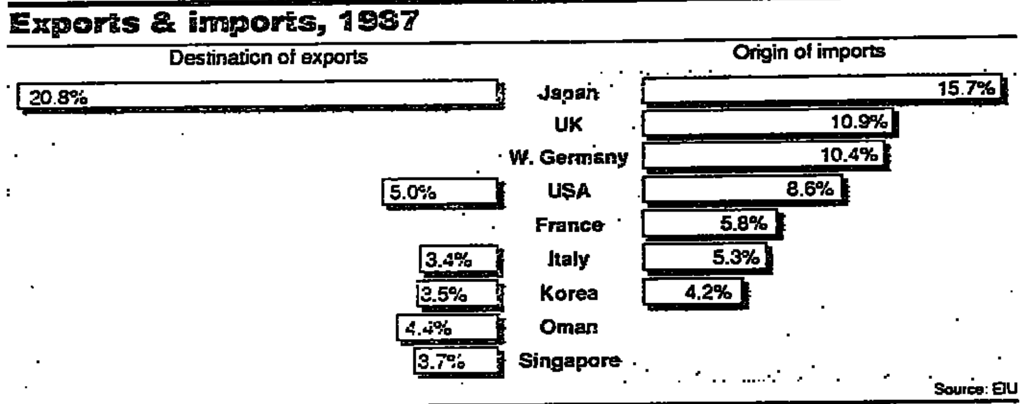
Oil production

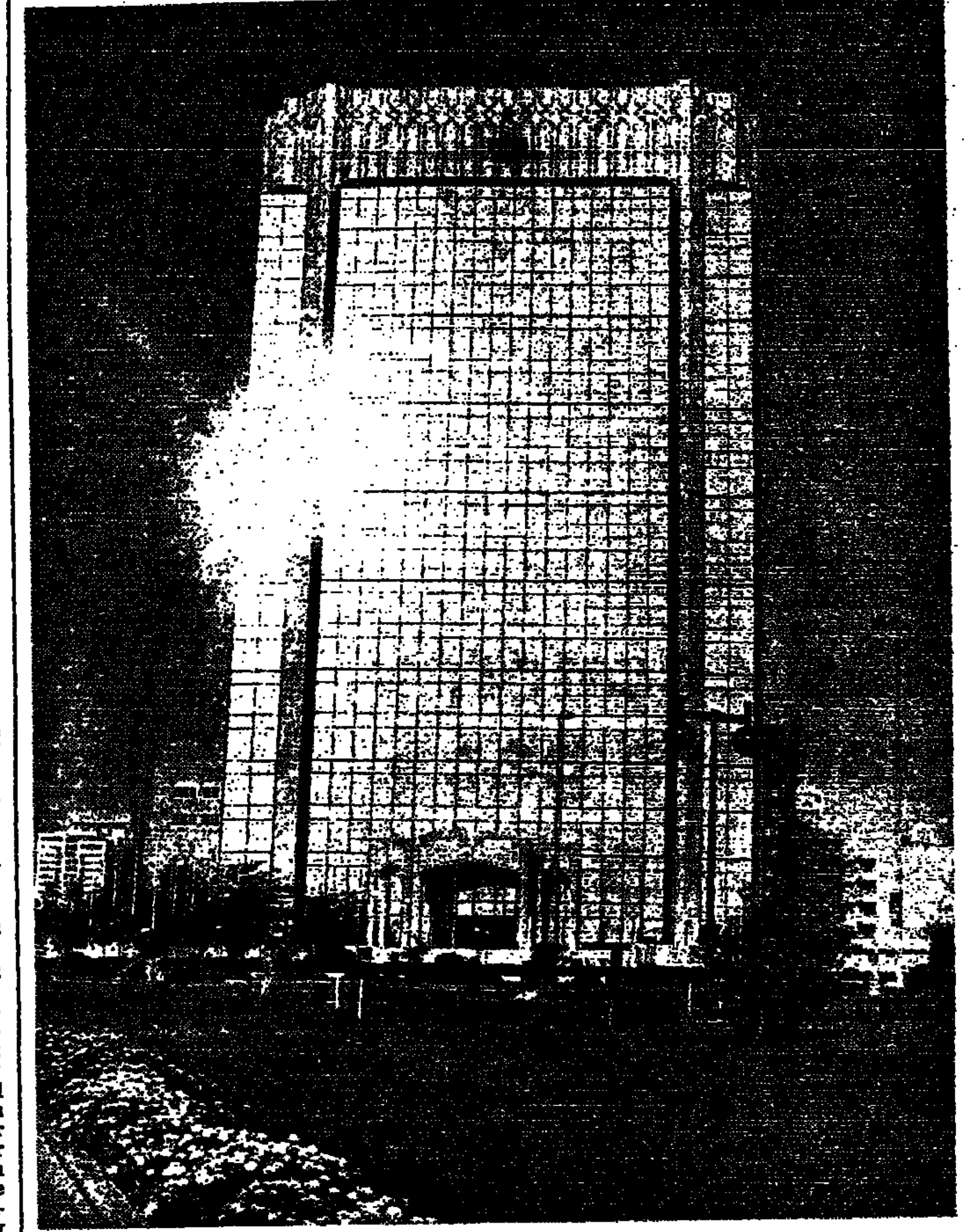


GDP, 1987



Exports & imports, 1987





The new headquarters of the Arab Monetary Fund in Abu Dhabi's banking sector

BANKING

A clash of interests

A YEAR ago, bankers in Abu Dhabi thought that their long-running problems with the legality of compound interest were about to be resolved. They have since discovered that they were wrong.

In the latter half of 1987, the matter of interest was addressed in two Commercial Banking decrees – No 3, signed by the ruler, Sheikh Zayed bin Sultan al-Nahyan, and No 4, signed by the Crown Prince, Sheikh Khalifa. The first stated that in the event of a dispute over a loan, the rate of interest agreed in the original contract would apply up to the time of a suit being filed. Thereafter, the rate would be 9 per cent flat. This seemed clearly to endorse the principle of compound interest, assuming that had been part of the original contract.

Within Abu Dhabi, banks are very under-lent. Much of the money they borrow in the state they lend in Dubai, where they find the legal system more favourable

The second decree stated that in no case should interest exceed 50 per cent of principal. Given that in the Arabian peninsular most lending is made in the form of overdrafts, this seemed bound to cause enormous complications. Both the first and the second decree took for granted the legality of simple interest, at 12 per cent for corporate borrowers and 9 per cent for individuals, in accordance with a Federal Supreme Court decision of 1981.

In the months after publication, it was thought that the partial contradiction between the two decrees would be resolved by the first law applying up to the date of judgment of a case and the second between judgment and settlement, in which time interest charges would be extremely unlikely to grow to anywhere near 50 per cent of the sum outstanding.

Bankers were further reassured by a decision – which has stood – that banking disputes should go before the civil rather than the religious, Sharia, courts. The civil courts are no quicker than the religious ones and they are just as liable to postpone cases at the request of defendants. But their proceedings are more organised and they do at least accept the idea of the legality of interest.

As it has turned out, to the great disappointment of bankers, it is the second decree of 1987, No 4, that has come to be the dominant one. The first has been largely ignored.

The problem raised by the second decree revolves around the definition of principal. Normally, the definition has been that it is total debits to an account, excluding interest debits, minus total credits.

This is extremely disadvantageous to the banks. If a borrower has had an overdraft for a year and towards the end of this time has repayed most of the principal, it may be that his bank's claim for outstanding simple interest at 9 or 12 per cent will come to more than 50 per cent of the unrepaid principal. The problem becomes much more severe, and is much more likely to arise, if an overdraft has been running for several years.

There is a case still in the courts of a Jordanian-owned contractor, Cicon, which is suing its banks, Grindlays and Paribas, for the repayment of compound interest on overdraft facilities going back to 1968 and 1974.

It is accepted by bankers that the ruler, Sheikh Zayed, and his Chamberlain, Sheikh Surour, who is also chairman of the central bank, not to mention the Central Bank officials themselves, realised that eventually these anomalies would have to be resolved. The main reason for the delay is that in the eyes of the ruler, banking technicalities probably do not seem very important, especially when society around him seems so prosperous. There is no doubt that he is encouraged to hold to this relaxed view by some of his relations, who have considerable sums owing to the banks.

In the face of these difficulties, for several years the banks in Abu Dhabi have become increasingly cautious in their lending. The default cases they have in the courts almost all concern loans made in the early and mid-1980s.

Within Abu Dhabi, banks are very under-lent. Much of the money they borrow in the state they lend in Dubai, where they find the legal system more favourable and the borrowers more sophisticated. Even though Dubai, like Abu Dhabi, is no more than reasonably prosperous – neither state has returned to anything like the boom conditions of the early 1980s – there is less surplus cash in Dubai and the rates paid are higher.

Abu Dhabi, at present, is exceptionally liquid, following the payment of several hundred million dollars of property compensation at the end of last year. The money has gone to people who are having their old, mostly shabby and well amortised, buildings demolished to make way for the city's new wide roads.

The movement of these funds to Dubai is particularly profitable for the major foreign banks, which pay one or two per cent less for deposits than the leading local banks and 3 or 4 per cent less than the smaller local and Iranian banks. Few doubt that the bigger local institutions are secure – they are virtually underwritten by the government – but the foreign banks' history in the recent past has been less controversial. Their discretion – given that they do not have local directors who might have an interest in knowing about competitors' businesses – is regarded as being absolute.

Michael Field

DEFENCE

Arsenal yet to be fully tested

ACCORDING to the UK-based International Institute for Strategic Studies' annual estimates, the United Arab Emirates possesses a sophisticated array of modern armaments but only modest armed forces.

Earlier this year the UAE signed a deal with France to purchase an unspecified number of Crotale surface-to-air missiles. It also has Hawk missiles with 30 improved launchers, and Rapiers. The emirates are also expected to announce soon the conclusion of an agreement, again with France, for the purchase of 36 of the new Mirage 2000 jet fighters.

At the moment the UAE has Mirage 5AD ground-to-air fighters as well as some British fighters. The army, which is organised into armoured, mechanised and infantry brigades, possesses heavy French AMX tanks as well as 80 Scorpion light tanks and some ferret scout cars, 105mm and 155mm towed artillery units and 120mm mortars. The navy has 15 patrol and coastal combat vessels.

The UAE is a heavy defence spender. At times about 40 per cent of the federal budget has been consumed by defence expenditure. The figure is almost certainly lower now, although Abu Dhabi is constantly re-equipping.

Abu Dhabi does most of the purchasing, deducting the cost of the hardware from its supposed contribution to the federal budget. Dubai, with its independent streak, has built up its own not inconsiderable infantry brigade.

Defence has always been a major preoccupation for the UAE. Although the British Government announced well in advance its decision to withdraw all its forces from the Gulf by 1971, ahead of the creation of the federation, the emirates' rulers nevertheless felt vulnerable, having taken the British presence for granted. This factor contributed to the establishment of the seven-emirate federation.

The setting up of boundaries in the new state was made more difficult by the nomadic nature of the bedu population. British agents had to go around laboriously asking tribes where they considered their territories ended. The result is that even today the boundary map looks like a complicated jigsaw.

The boundary divisions are also important because over the years they have provoked disputes between the emirates, particularly Abu Dhabi, on the one hand, and Oman, Iran and Saudi Arabia on the other.

The Iran-Iraq war was another factor contributing to unease in the UAE. The country never took sides in the conflict, unlike Kuwait and Saudi Arabia which lined up unequivocally behind Iraq.

Defence has thus become such a priority that according to one European defence attaché, the "UAE has probably got more armaments than it can usefully use".

Despite its fears, the UAE does not seem to have carried out a full risk analysis. It is not clear, to western observers at least, how the large arsenal blends with the untested 40,000 strong army which appears better suited to fight in open territory against armed columns rather than any sort of insurgency.

The supreme commander in chief of the armed forces is Sheikh Zayed bin Sultan al Nahyan himself. His son, Crown Prince Sheikh Khalifa bin Zayed is the deputy supreme commander.

The army is a volunteer force and probably half of it is made up of foreigners, notably Moroccans. There are also many Jordanian and Pakistani officers, largely working on contract but few British officers, unlike in Oman's forces.

Stewart Dalby

NON-OIL EXPORTS (Dh '000)

	1st qtr '87	2nd qtr	3rd qtr	4th qtr
Abu Dhabi	17,665	16,587	24,233	49,461
Dubai	288,519	340,498	329,910	359,790
Sharjah	26,376	26,792	23,956	30,788
TOTAL	332,560	383,878	378,100	440,039

Dubai, Abu Dhabi Governments; Sharjah Customs Department

Michael Field on the changing face of the emirate

Skeikh Zayed's green revolution

WHEN visitors travel to Abu Dhabi, they see no sign of an oil industry, unless they drive into the desert or go offshore. They see little evidence of great personal wealth, and they certainly do not see camels or tents unless they look for them.

Instead, they are most impressed by large areas of grass, flowers, trees, sprinkler systems and fountains – made extra green in places by being floodlit at night. Much of the drive into town at night could be mistaken for the route from the airport in Singapore. The view is one of tropical trees, pink flowers and deeply-cut, litter-free grass.

The idea of greenifying Abu Dhabi is entirely Sheikh Zayed bin Sultan al-Nahyan's, the UAE President and Ruler of Abu Dhabi. Before he became ruler in 1966, Sheikh Zayed was governor of the al-Ain oasis, and there he conceived a great love of green things that is very typical of desert Arabs. It is said now that when he is in the desert he instructs his driver to avoid running over bushes.

When the British pushed him into replacing his brother, who had been refusing to spend his oil revenues on development because he feared his new wealth would be short-lived, Sheikh Zayed promptly decided to invest part of his fortune on introducing al-Ain's greenness to the rest of the state.

This did not seem a very practical idea at the time. Abu Dhabi not only had no modern buildings – it was composed of a coral fort, some similar houses and a collection of Darasti huts – it also had no plant life apart from a few palm trees. Its soil was sabkha – sandy saltflat on top of coral rock. It is the infertility of Abu Dhabi, which has much less natural potential for cultivation than Riyadh or Bahrain, which make the new garden cities so extraordinary.

Within the municipality area on Abu Dhabi island there are now 1,370 hectares of grass and woodland, and in 10 years' time there will be half as much again. Outside the municipality, in the western region of the state, which excludes the al-Ain/Buraimi oasis, there are 100,000 hectares of agricultural land and forest.

In the desert, where afforestation is used to stop sand encroaching on roads and villages, the trees are fed by well water enriched by fertiliser. With this they grow well on the sand.

In Abu Dhabi city, an artificial soil has to be put down. For grass and flowers this is 45 cm of desert sand, with the top 10/15 cm being mixed with compost. Bushes and trees need between 70 cm and 80 cm of sand.

The municipality now runs its own compost factory which uses garbage, grass clippings and leaves, and adds to them the real fertiliser from the plant at Ruwais. In the early days compost/manure was imported from India, but this has now stopped.

The rather strong "agricultural" smell one sometimes notices in the green areas of Abu Dhabi comes from compost having sometimes to be used within two months of manufacture. If it is older, it is odourless.

The plants that grow well on municipality soil are typical hot country urban plants – various varieties of Bermuda grass, hollyhocks, marigolds, petunias, bougainvillaea and oleander. Individuals are given free plants, as well as soil, and the municipality will send advisers to private houses, if requested, and teams of planters to mosques and schools.

In Abu Dhabi town, municipal green areas, mostly fed by automatic sprinkler systems, consume 23m gallons of water a day. Contrary to popular belief, this is not desalinated sea water: it is "treated" water, recycled from sewage. The human consumption of water (desalinated) in the town is several times that of plants and trees.

Some 4,000 gardeners, three per hectare, are employed by the municipality. The forests outside the town are attended by one labourer for every 20 hectares.

The cost of the whole programme is difficult to calculate, but, given that compost and sewage treatment plants are one-off investments and the wages of Baluchi gardeners are low, it is probably less than people imagine. In the desert, where there are fewer operations involved, the cost per tree is easily established from the amount the authorities pay forestry contractors. During the first three years of a tree's life the cost, including planting, is a bit under £20 – about £6 a year.

There is obviously little point in trying to judge whether greenification is worthwhile, because anyone's judgement of its benefit is subjective. My personal view is that it is worth every dirham. It has softened and humanised Abu Dhabi, making it not only much prettier but also more welcoming than the other Gulf cities which are largely tarmac, concrete and sand affairs. The existence of trees in Abu Dhabi has led to a natural influx of birds, from Oman, Iran and India.

In the opinion of Mr Mohammad Soorouri, who is in charge of greenification at the municipality, the sight of grass and flowers relaxes people. "It makes them happy," he says, "and makes their soul rejoice."

He may well be right. Abu Dhabi is certainly a relaxing place by Arabian standards. And the fact that the immigrant population appears happier than elsewhere may be due not just to the state's relatively liberal social policies, but to people being able to walk around an attractive city, sit and picnic in its parks and watch their children play on its grass. This is a better life than the concrete box existence which is the lot of most immigrants in the Arabian peninsula.

AGRICULTURE

Trapped in a familiar cleft stick

"WE ARE not like Saudi Arabia, we do not believe in producing wheat at three times the market price," says Mr Saeed al Raghabani, the UAE Federal Minister of Agriculture.

It is true that the UAE produces only a small amount of wheat and imports the rest of its needs, much of it from Australia. But when it comes to other agricultural activity the country finds itself in the same cleft stick as several other Gulf states. If it wants an agricultural industry – and it does – it can only really achieve one, given low rainfall, arid soil and scarcity of natural water, at uneconomic costs.

This is not immediately apparent to the visitor to the emirates. The UAE is now self-sufficient in winter vegetables, producing 160,000 tonnes of tomatoes, cucumbers, onions, sweet potatoes, cauliflowers, egg plant and so on. Among fruits it produces dates, strawberries - most of which are exported - mangoes and some citrus fruits.

Having produced 164m eggs last year the country is 70 per cent self-sufficient in eggs. Poultry production totalled 12,398 tonnes in 1898 making the country 45 per cent self sufficient. The emirates easily catch as much fish as they consume, 85,410 tonnes last year. Fishing is entirely inshore and largely carried out by small fleets of dhows. The industry would export fish if the marketing mechanisms existed.

Virtually all agricultural production is around the al-Ain/Buraimi oases in the eastern sector of Abu Dhabi territory near the border with Oman. Some farming also takes place in Ras al-Khaimah and in and around Fujairah.

In al-Ain locally produced vegetables are cheaper than equivalent imports, even after their 50 per cent mark-up. Dried fish is very cheap, spring onions cost Dh2 a kilo, tomatoes Dh1.25, sweet potatoes Dh2, and eggplant Dh4.

But at what cost are they produced? So keen has the government been to develop agriculture and draw farmers into feasible sectors that it has offered lavish subsidies. This has had a severely debilitating effect on scarce water resources.

Under the government's incentive package, the number of farmers has increased rapidly. Last year there were 18,265 compared with 4,000 in the early 1980s. The cropped area today is put at 42,000 hectares (excluding the area covering trees and artificial forests which is estimated at 171,000 hectares.) The Federal Ministry of Agriculture says an additional 60,000 to 70,000 hectares could be farmed if water were made available.

To attract people to the land (and they have to be native Abu Dhabians) the land is given either free or at a knock-down cost. When the farmer is settled, seeds, seedlings and pesticides are given free. The first irrigation pump and engine are also given free of charge and further purchases are subsidised.

There are at least 15 government-owned centres around al-Ain which have trained agronomists offering advice on farming techniques and protection from diseases. The government is also looking at the problem of marketing produce, particularly tomatoes. Such was the wastage that the Government built a plant to produce tomato paste. The authorities will have to find ways of improving marketing, especially in moving goods from farms in al-Ain to Abu Dhabi.

But above all it is the rapidly dwindling supplies of water from the al-Falaj system and from underground which form the main constraint. The farming expansion in recent years led one foreign agricultural adviser in al-Ain to estimate that the rate of water extraction could easily have been 10 times that of replacement.

According to a government master plan on water resources in al-Ain and its environs: "It was evident even in 1983 that extractions had exceeded the rate of replenishment for at least a decade and that groundwater reserves were being mined."

It is estimated that water reserves will be fully consumed by about 1999, and even if the groundwater reserves have been underestimated by a factor of two, exhaustion would be delayed by only six to seven years.

The aquifers are beginning to suffer a salinity problem as the water table drops, so the authorities will have to re-evaluate their policy. Already there are plans to pipe desalinated water in from the coast.

The government of Abu Dhabi wants to expand its agricultural base. This is not just because of the stated reason of having "food security", but also probably because it gives many native Abu Dhabians an interest and vocation. Abu Dhabi still has money to spend despite the fall in the oil price and it sees no reason why it should not use it to subsidise agriculture.

Stewart Dalby

UAE IMPORTS (Dh '000)
(Including goods bound for other emirates)

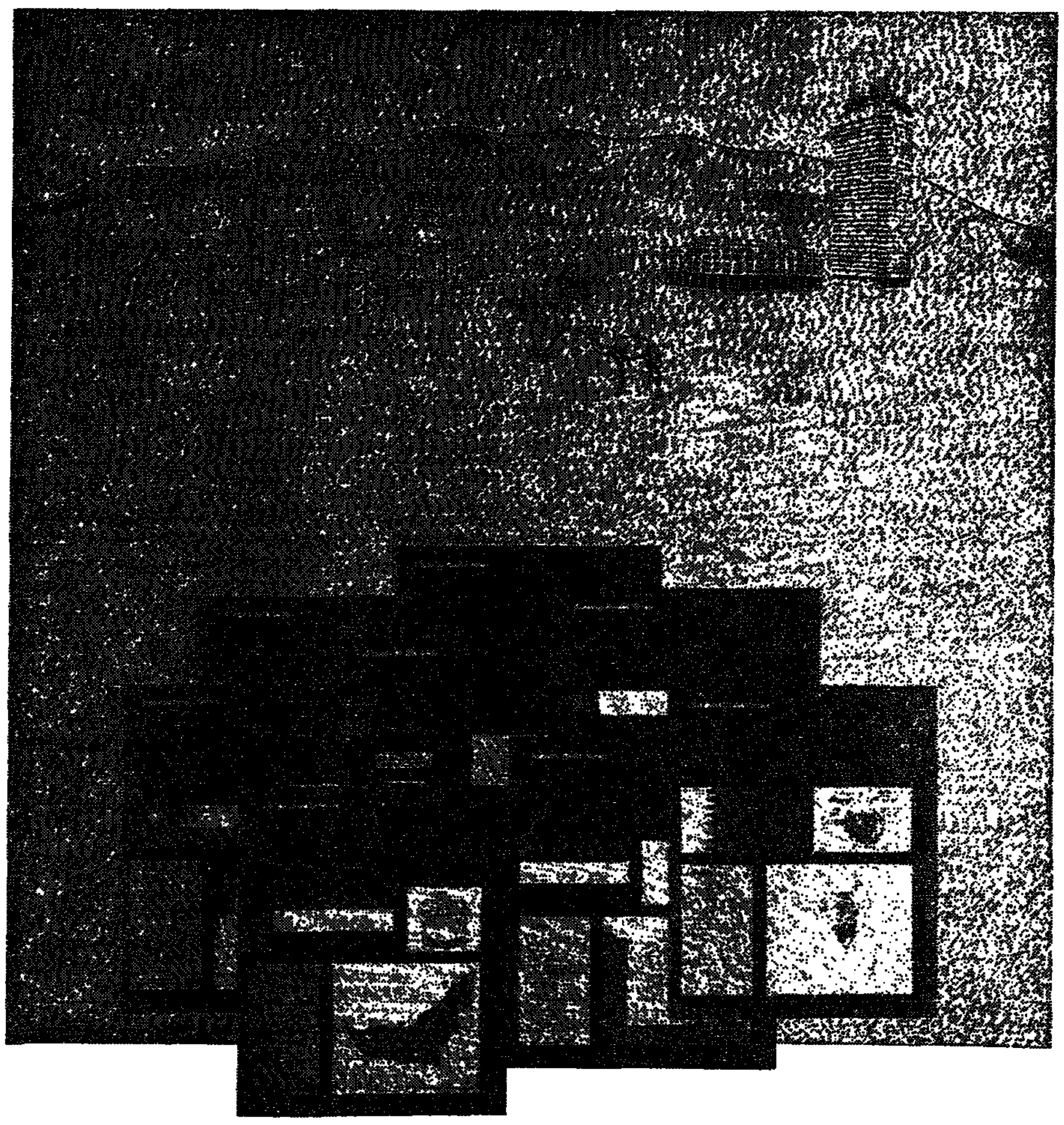
	1st qtr '87	2nd qtr	3rd qtr	4th qtr	1st qtr '88	2nd qtr
Abu Dhabi	1,215,556	1,418,565	1,275,143	1,686,896	1,750,151	1,412,218
Dubai	4,332,461	4,954,903	4,788,092	4,796,603	5,232,373	5,676,145
Sharjah	540,543	554,055	468,888	495,706	485,940	683,554
TOTAL	6,088,560	6,927,523	6,532,124	6,979,205	7,468,464	7,771,917

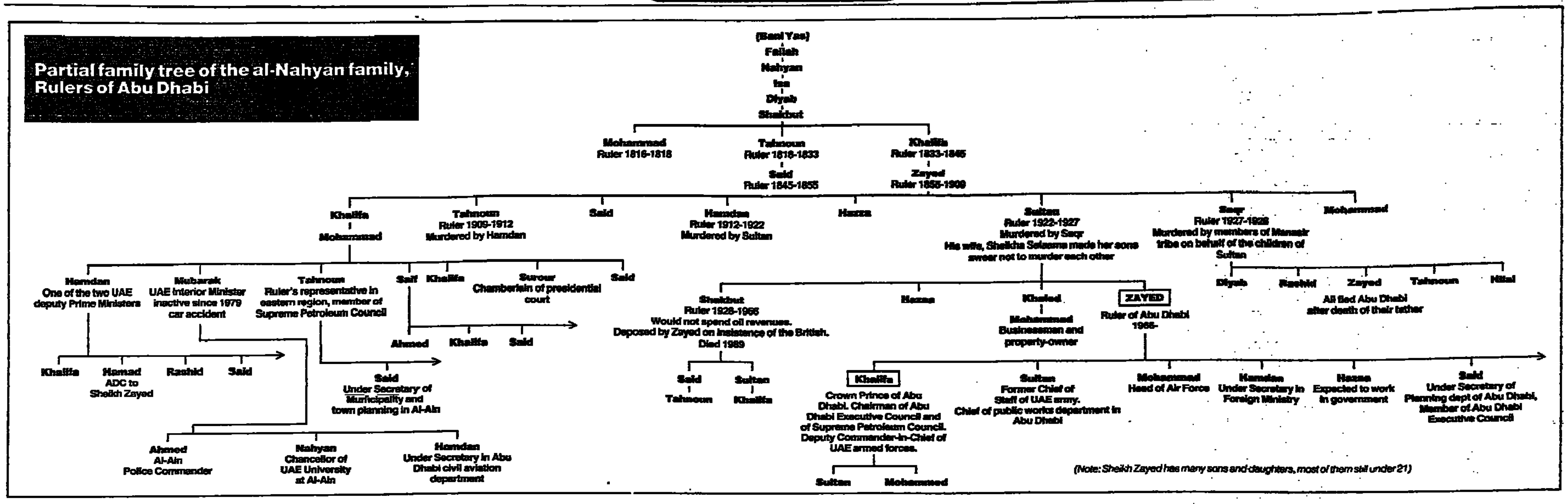
Source: Dubai, Abu Dhabi Governments; Sharjah Customs Department

UAE RE-EXPORTS (Dh '000)

	1st qtr '87	2nd qtr	3rd qtr	4th qtr	1st qtr '88	2nd qtr
Abu Dhabi	369,020	345,420	296,043	387,808	451,817	563,788
Dubai	1,309,323	1,440,950	1,250,785	1,238,786	1,185,847	1,470,618
Sharjah	68,295	35,928	50,141	113,669	80,687	46,828
TOTAL	1,746,638	1,822,298	1,596,969	1,740,263	1,718,351	2,081,234

Source: Dubai, Abu Dhabi Governments; Sharjah Customs Department





Stewart Dalby profiles Sheikh Zayed bin Sultan al-Nahyan

Leader who has stood the test of time

SHEIKH ZAYED bin Sultan al Nahyan, the President of the United Arab Emirates and ruler of Abu Dhabi, and Sheikh Rashid bin Said al Maktoum, the Vice President and Prime Minister of the federation and ruler of Dubai, have been dominant figures before and since the creation of the UAE in 1971.

Sheikh Rashid, now incapacitated by a series of strokes, was known for his shrewd, commercial mind, always looking for a good deal for Dubai whether it was checking on the construction of a bridge or ensuring that as much of the country's trade as possible passed through Dubai's ports .

Sheikh Zayed is known for his efforts to form and promote the federation, and he has given it a significant voice in regional councils.

He was born in 1916 or 1917, the fourth son of Sheikh Sultan bin Zayed al-Nahyan. Sheikh Sultan himself was the son of Sheikh Zayed bin Khalifa, who reigned so long and so peacefully from 1855 to 1909 that he is often referred to as Zayed the Great.

Sheikh Zayed bin Khalifa's death in 1909 provoked a period of great instability and fratricidal intrigue involving Sheikh Zayed's father and uncles. This continued until Sheikh Zayed's elder brother, Sheikh Shakbut, became ruler in 1928. In 1946 he appointed Sheikh Zayed as governor of the eastern province to be based in the oasis town of al-Ain.

The present UAE ruler's love of the desert and bedu ways is often commented on, and no biography is complete without quoting the description of him in Wilfred Thesiger's *Arabian Sands*:

"He is a powerfully built man of about thirty years with a brown beard. He has a strong intelligent face with steady, observant eyes and his manner was quiet but masterful. He was distinguished from his companions by his black rope and the way he wore his cloth falling about his shoulders instead of twisted around his head in the local manner. He wore a dagger and a cartridge belt, his rifle lay on the sand beside him. He has a great reputation among the Bedu. They liked him for his easy informal ways and his friendliness and they respected his force of character, his shrewdness and his strength. Zayed is a good judge, can shoot and knows how to fight."

While it was accepted that his love of the desert and traditional ways imbued him with a certain wisdom when dealing with tribal matters, doubts were raised about whether these qualities, though admirable when Abu Dhabi was impoverished and made up almost entirely of semi-nomadic bedu, were adequate to oversee a modern oil state.

What appraisals of Sheikh Zayed often overlooked, however, is his long apprenticeship as an administrator during periods of great austerity. Although Sheikh Zayed has not been formally educated, he can read and write and is said to be a great lover of poetry.

Around the time of his accession to the governorship of the Eastern Province, the region's pearl diving industry, then virtually Abu Dhabi's only source


Sheikh Zayed

of income apart from subsistence agriculture, was in terminal decline. It was a period of great hardship. Sheikh Zayed spent his time trying to make ends meet, attempting to dislodge money from his frugal brother to repair the Falaj irrigation system, to build schools which he considered necessary, and to improve woefully inadequate health facilities.

When the oil money began to flow in the early 1960s, Sheikh Shakbut was reluctant to spend it. He felt that oil money would destroy the old ways and break up the tribes. The people wanted him to spend the money and so did the British, who were still a power in the land. As a result, Sheikh Zayed, with the help of the British, gently replaced Sheikh Shakbut who went on to live quietly in al-Ain. He died in February this year.

Sheikh Zayed had learned the value of money in al-Ain, and he began to administer and build on a grand scale. Like Sheikh Rashid he quickly showed that he had a very good eye for a deal.

Mr Abdul Rahman Ziyad, in his biography of Sheikh Zayed entitled *Zayed. A Life of Achievement*, writes: "Hardly eight weeks after his accession he appointed British consultants to design blueprints for a £6m welfare programme. A British consortium of town planners was given the job of constructing a 160 km dual carriageway right across the desert to al-Ain. A sewerage scheme, markets and sea walls (breakwaters) were ordered to the tune of £15m. Every day he had papers brought to him at the palace for an immediate appraisal of the position ... 'I want to evaluate what is going on,' he used to say. This assessment of progress became a daily ritual."

Abu Dhabi is now a modern state. There are roads, airports, green flower beds and parks along the well-planned Corniche Road. Although some of the spending would be hard to justify on a purely commercial basis, the emirate's resources are still considerable.

Sheikh Zayed will probably be best remembered for his role in the creation of the UAE federation. When the British government announced its intention to withdraw from the Gulf in 1971, Sheikh Zayed saw perhaps more clearly than others the need for the disparate sheikdoms to club together for collective security.

Sheikh Zayed will probably be best remembered for his role in the creation of the UAE. When the British Government announced its intention to withdraw from the Gulf in 1971, he saw the need for the disparate sheikdoms to club together for collective security

He has doggedly held the federation together, using Abu Dhabi's wealth when necessary to persuade, cajole and keep in line the smaller and poorer emirates. It is not always easy. Dubai has consistently demonstrated an independent streak and often gone its own way. Dubai has angered Sheikh Zayed by ignoring Opec oil production quotas.

The federation has survived and this has enabled Sheikh Zayed to be an active diplomatic player in regional affairs. He avoided alienating either of the combatants in the Iran-Iraq war.

Although avowedly pro-western Sheikh Zayed has allowed the Soviet Union to establish an embassy in the UAE. He has been active on the Palestinian question.

As one diplomat said: "Obviously the man must have faults, everyone does, but I've no idea what they are and doubt whether it very much matters. For all intents and purposes he has been an outstanding and remarkable leader of his country."

Stewart Dalby

CAMEL RACES

A grand national favourite

THE MAIN differences between horse racing and camel racing are that at a camel race the beasts run slower and the crowds don't shout.

Races are usually eight or 10 km in a single circuit; the jockeys are tribesmen's children, ranging from 10, the minimum legal age, to about 14. In most races, the winner is at least 100 yards ahead of the other camels, which does not make for thrills.

Camel racing to a westerner is not very exciting, but it is fascinating because it gives an insight into Arabian society, and particularly into the relationship of rich and fairly poor nationals in it.

The sport has become enormously popular in the UAE and Saudi Arabia in recent years. It is a politically binding influence. The sheikhs of the ruling families of the emirates meet more often at camel races than in any other context.

The season runs from October to April. As the season progresses and the camels become leaner, stronger and faster, with better breathing rhythm, the standard of racing improves. By March, when there is a series of "final" races, only previous winners are being entered.

Then, during the summer, the winners go to seed because the trainers and jockeys spoil them by feeding them too much.

There is no betting, not even among friends, but there are generous prizes, such as Toyota Land Cruisers, Mercedes water-tankers, Range Rovers and tents, donated by the sheikhs and merchants.

No owner charges stud fees; anyone can ask a sheikh if he may breed from his male camel. But the tribesman can make a great deal of money from breeding winners and selling them.

Naturally, the sport is becoming more serious and professional. The standard feed used to be barley and dried desert grass; now trainers in the Arabian peninsula and researchers elsewhere are working on more exotic blends.

Much effort goes into the medical care of camels – the elimination of camel parasites and diseases – and into ways of keeping camels fit in the off-season. Some owners have built swimming pools for their animals. These serve various purposes of exercising the camels' legs and their breathing, cleaning and cooling them and killing the insects on their bodies.

Since the sport began its revival about 10 years ago, enormous sums of money have been channelled into it, mainly through the purchase of camels from the tribesmen. Prices for racing camels range from about £2,500 to nearly £1m.

Michael Field

Economy gathers pace

Continued from Page 1

his liking. The UAE, he says, is not a debating society.

In foreign policy the UAE, with Sheikh Zayed at the helm, has maintained the careful balance required by its position between Iran and Saudi Arabia. On the one hand the country is a member of the Gulf Cooperation Council – most of whose members supported Iraq in the Gulf war – and on the other hand it has nurtured its historical trading links with Iran.

Foreign navies in the Gulf in wartime were frowned on, but at the same time welcomed for the security they provided. In the Salman Rushdie affair the UAE has taken a similarly cautious stand. In public, officials in Abu Dhabi are anxious to avoid the issue. In private, they criticise Mr Rushdie for blasphemy in his book *The Satanic Verses* and also condemn Ayatollah Ruhollah Khomeini of Iran for his death threats.

At home the political issues in Abu Dhabi continue to be debated – in private again – with no particular sense of urgency. They centre on the loose nature of the UAE Federation and on what will happen when the much-admired Sheikh Zayed dies and his place is taken by the unproven Crown Prince, Sheikh Khalifa.

There are a number of young "emirateans", and members of the educated middle classes, who believe that the tribal nature of UAE politics, the complex system of patronage, the concept of competing city states and the lack of open debate must eventually give way to a more representative form of government.

So far the Federation has muddled through, with a series of recent deficit budgets introduced retroactively at the end of the year rather than at the beginning. Each emirate is supposed to contribute in proportion to its revenues, but the smaller ones are poor and the richer ones do not disclose their oil income. They also spend money on their own and then label it as a federal expense to be subtracted from their contribution.

Dubai is said to put in roughly as much as it takes out, leaving Abu Dhabi to subsidise the smaller emirates. Apologists for the present system, deploy the axiom "If it ain't broke, don't fix it".

In Abu Dhabi itself politics is a matter for discussion rather than heated argument. The fact that there is little frustration or sense of urgency among the general public over these matters is not merely a tribute to the mollifying effects of well distributed oil money. It is also a reflection of the UAE's success in building a sophisticated, relaxed Islamic society in the harsh natural and political environment of the Gulf.

LONDON STOCK EXCHANGE

Equities wary ahead of RPI number

IT WAS a subdued trading session on the London equity market yesterday as investors measured the implications of the proposed Beecham-SmithKline Beckman merger and braced themselves for the disclosure this morning of the latest data on UK inflation.

A market generally lacking support flinched at the announcement that U.K. earnings statistics for February showed an underlying rise of 9.25 per cent but soon steadied in the absence of any significant selling pressure. The rate of earnings growth was regarded as discouraging in the market, although not far out of line with analysts' forecasts.

Account Dealing Dates			
*First Dealings:	Apr 3	Apr 17	May 8
Option Declarations:	Apr 13	May 4	May 18
Last Dealings:	Apr 14	May 5	May 19
Account Day:	Apr 24	May 15	May 30

*New time dealings may take place from 9.00 am two business days earlier.

Worries over domestic interest rates continued to focus around the prospects for today's UK Retail Price Index number. Market forecasts are for a year-on-year rise of 8 per cent compared with the 7.8 per cent increase recorded a month ago, and matching the forecast by Mr Nigel Lawson, the UK Chancellor of the Exchequer, for the peak in UK inflation for the year. Nervousness was not helped by weakness in Tokyo overnight on hints that the Japanese discount rate could be forced higher, and by yesterday's rise in Swiss rates.

With the US trade figures for February also due today, some London market strategists expressed concern over these renewed pressures on international interest rates. Some analysts believe that UK rates might be held steady even in the face of 8 per cent domestic inflation but are more vulnerable to developments elsewhere.

"We think UK rates are more likely to be pushed higher by global than by domestic pressures just at present," commented one leading securities house.

The general nervousness made for a slow day in equities, with investment fund managers always ready to sell into strength but only willing to buy if price discounts were offered. Most institutional investors remained unwilling to enter the market ahead of the batch of economic data, and share prices opened lower and fluctuated for the rest of the session.

At its final reading of 2028.7, the FT-SE Index was 4.2 off, discounted towards the end of the session by a dull opening on Wall Street. Equity turnover, still underpinned by active trading in Beecham and the other pharmaceutical stocks, totalled 463m shares through the Seaq system, against 448.2m on Wednesday.

Market analysts continued to grapple with the valuation forecasts implied by the Beecham-SmithKline plan. The Nomura pharmaceuticals team believes that share prices of both the prospective partners suggest that "neither Wall Street nor London expects a rival bid at present." However, Nomura still sees Beecham as undervalued and open to a hostile takeover attack.

FINANCIAL TIMES STOCK INDICES

	Apr 13	Apr 12	Apr 11	Apr 10	Apr 7	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	85.84	85.92	86.05	86.16	86.08	91.09	89.29 (8/2)	85.84 (13/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.15	96.77	96.77	97.16	97.24	97.99	99.59 (15/3)	95.93 (4/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1669.9	1674.0	1672.8	1669.4	1663.0	1418.2	1761.1 (14/3)	1447.8 (3/1)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	189.2	187.1	185.6	187.2	189.0	216.8	198.1 (28/3)	164.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Div. Yield	4.54	4.59	4.60	4.61	4.56	4.65
Earning Yld %(full)	11.26	11.15	11.19	11.21	11.05	11.85
P/E Ratio(Net)(*)	10.73	10.83	10.79	10.78	10.92	10.39
SEAQ Bargains(5pm)	23,917	24,053	24,473	24,973	25,296	26,723
Equity Turnover(£m)†	-	1333.99	1142.37	991.02	1494.26	1661.94
Equity Bargains†	-	26,009	26,809	28,193	30,096	29,217
Shares Traded (ml)†	-	448.2	445.1	412.6	570.6	544.0

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1665.1	1664.3	1664.3	1665.5	1668.1	1670.8	1667.9	1671.5

DAY'S HIGH 1672.0 DAY'S LOW 1661.6

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 10.83 †Excluding intra-market business. * Corrected figure.

S.E. ACTIVITY

Indices	Apr 12	Apr 11
Gilt Edged Bargains	86.6	96.2
Equity Bargains	181.5	173.7
Equity Value	2695.3	2309.0
5-Day average		
Gilt Edged Bargains	98.9	101.5
Equity Bargains	196.2	221.6
Equity Value	2685.8	2596.8

● London Report and latest Share Index: Tel. 0898 123001

Sears and market gossips

Speculation of a major stake changing hands lifted the long-dormant Sears several points in busy midday trade. The initial talk was that part of the Al Fayed brothers' 10 per cent holding in Sears had been placed with a single buyer outside the market. Later the word was that the entire stake – nearly 150m shares – had been passed on, supposedly to financier Sir James Goldsmith. These unconfirmed reports were enough to send the shares immediately higher to a peak of 122½p.

However, it did not take long for dealers and analysts alike to pour scorn on the story. There was no logic for the Al Fayeds' taking a sizeable loss on the stake, said one sceptical stores researcher, particularly now when a disposal of the holding would only be seen as a panic sale.

By mid-afternoon the market had tired of the story, and the Sears price slipped back to close at 121½p, a net gain of 3¼. Turnover was 5.6m shares, not exceptional by Sears' standards. Although there was no official denial from the Al Fayed camp, sources close to the brothers said any suggestion that the stake had been sold was "absolute rubbish".

BP pressure

Some hefty selling of BP "old" and "new" shares boosted turnover in the latter to 7.8m and in the former to 7.7m. The share prices were badly affected, with the new off 6 at 152p, and the "old" the same amount lower at 268½p. Dealers and analysts said much of the selling of the "new" shares represented selling by institutions and private investors unwilling to pay the final 105p a share tranche on the "new" stock, due on April 27.

The selling pressure accompanied an official announcement from the Stock Exchange saying that the new fully paid shares would be traded separately from the existing fully-paid shares until early June when they will be merged. But dealers pointed out that dealings in BP "new" in the partly-paid form will continue until 3.30pm today, after which the new Stock Exchange account gets underway.

Some analysts and marketmakers were taking the view that selling by those not willing to put up the final cash for the stock was missing out on a good buying opportunity.

"Given the recent strong showing by crude oil prices, BP are obviously looking at a strong first quarter. And that goes for Shell, too," said one industry observer.

Another heavy trading session was recorded by Beecham, with 4.5m shares traded and the shares easier but volatile as traders sought the new market level for the stock. After touching 614p and 606p, the shares ended at 610p, a net 5 off.

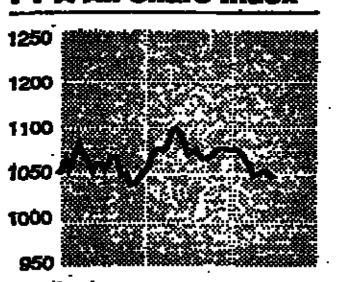
Analysts indicated that, barring new developments, both Beecham and SmithKline shares appear valued soundly at current levels, where they are likely to remain until either the merger is effectively consummated or there is any clear sign that a third party intends to take a hand in the game.

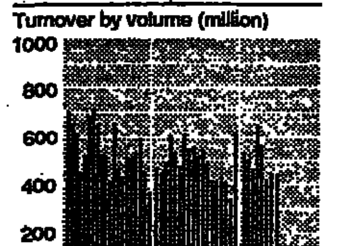
Nomura suggested that its clients hold equal weightings of Beecham and SmithKline for the time being, since "in no scenario will both fall," commented Dr Erling Refsum of the pharmaceuticals team.

Nomura also drew clients' attention to another possible market play by recommending shares in Glaxo which could benefit from the merger pre-occupations at SmithKline, which makes a rival product to Glaxo's high-selling Zantac drug. Glaxo swung round from an early loss to close 6 better at 1378p on turnover at 2.3m shares.

The general market decline kept oil shares under pressure but dealers said there was some keen underlying support for the sector, helped when a number of securities houses reaffirmed their positive stances on the sector and also by the latest improvement in crude oil prices. Brent for May delivery was up some 20 cents after market stories that the Saudis might be cutting back their supplies to Japan by 40 per cent and to Aramco by 15 to 25 per cent.

British Gas slipped 2 to 175p on 4.5m; BZW says: "We have reviewed Gas earnings prospects over the next three years and find that earnings growth will not support the dividend progression considered likely by the market. Keep holdings underweight," the BZW oil team concluded.





The smaller oil companies provided plenty of activity with Kelt Energy strongly supported and finally 4 ahead at 55p, after 56p, after news of the first disposal of Carless Capel's downstream assets. Kelt won control of Carless after a bitterly contested battle at the turn of the year. Kelt has sold its Sigas liquefied petroleum gas subsidiary to Esso Petroleum for £9.9m, a figure described as very good by dealers. Carless bought the Sigas business for some £6m in early 1986 and spent around £1m on the company.

The purchase by Cairn Energy of Pearson's North American gas and oil businesses – Lignum Oil – for $60m in cash via a share placement and open offer was evenly received by the market and Cairn stock settled only 5 cheaper at 215p.

Barclays alone of the clearing banks edged up 5 to 431p after 4m shares change hands. "There was a suspicion that a carefully handled programme had taken place today and the feeling was that perhaps a slug of Barclays were involved in it," said one marketmaker.

The BZW downgrading of Prudential continued to prompt some major two-way activity in the shares which initially edged ahead to 173p before slipping back to end a highly active trading session unchanged on balance at 172½p. Turnover finally came out at 12m. BZW are taking a very bearish view of Prudential's estate agency business and are forecasting a loss of £35m for the current year, compared with the previous year's £17.2m profit.

"The minor changes in the share price disguised the huge business going on," said one dealer. "A single trade of 7.5m shares went through the market, very impressive in this day and age, and that was followed by some other big lumps of stock.

Persistent talk that Abbey National may be considering a bid kept London and Manchester on the boil and the shares rose 5 more to 274p.

ADT drew good business and rose 4 to 159p, although turnover of 11m shares was distorted by a big "bed and breakfast" deal involving 6m shares. A good deal of the buying again originated from the US, although several leading UK houses have issued positive notices on the stock over the past month. BZW researcher Mr Robert Morton then said: "The current rating does not reflect the stronger balance sheet, improved quality of earnings and the medium term potential for the main businesses."

Rank Organisation rebounded 18 to 926p, and the movement inevitably revived speculation of some impending development regarding Rank-Xerox. Traders were scornful of the stories, pointing to lowish volume and the lack of retail interest.

Bargain hunting got Granada moving ahead of a presentation at Smith New Court later yesterday, and the rise gathered momentum afterwards. A marketmaker spoke of good support for the stock around the 360p level, which appears the bottom of the current trading range. Two houses were especially active yesterday and the shares settled at 366p, up 5.

Johnson Matthey went on a run too, gaining 15 to 389p, as old stories came to the surface of share stake changes leading to a bid for the company. Charter Consolidated is the major shareholder, but Cookson also holds a stake.

News of a £26m rights issue to fund pub acquisitions by regional brewer Devenish failed to disturb brewing stocks. Although dealers regarded the cash call as justified, Devenish fell 14 to 311p.

The building sector was among the market's most uncomfortable areas despite splendid figures from two of the sector leaders, Blue Circle Industries and Costain. BCI came out with preliminary pre-tax profits of £203.1m compared with last time's £155m – "tremendous results" was the description offered by one trader in the stock, but persistent profit-taking undermined the share price which eventually settled a net 15 off at 543p on turnover of 2.4m. Costain fell 6 to 317p after revealing profits up from £66.2m to £89.2m.

Worries about the continuing price war in the plasterboard market upset BPB which retreated 5 more to 244p. "Business in Europe and North America is tough and the outlook is worsening," said one analyst.

The news that Great Universal Stores (GUS) purchased 150,000 of its own non-voting "A" shares on Wednesday at 980p helped GUS "A" climb smartly to 999p, up 20 on the day. Although the company received approval from its shareholders to buy-in stock in January, the management's decision to beginning buying now caught the market by surprise.

British Telecom and Cable & Wireless were resilient markets both ending fractionally better in good turnover. British Telecom closed harder at 271p on 5.5m and Cables 3¼ up at 470½p on 3.6m. GEC attracted persistent support all day and closed 4¼ firmer at 227p; a decision on the joint bid with Siemens for Plessey from Lord Young Secretary of State for Industry is expected within a week or so. Racal Electronic were 2½ easier at 381p on turnover of 6m.

Northern Engineering Industries (NEI) nudged forward to 128¼p after a Reuters report said that Rolls Royce had increased its stake in NEI to 15.5 per cent after acquiring 3.85m shares on Wednesday at 127p a share. On Monday NEI agreed to accept a bid of 128p-a-share from Rolls Royce. "What Rolls Royce is doing is trying to make it clear that no-one else is allowed to bid for NEI," said one analyst.

A second announcement of further orders for Rolls Royce engines from Australian airline Qantas was well received in the market, but the shares remained unmoved at 182½p on turnover of 2.2m.

Unigate were a good market, closing 5 better at 355p. There was some talk of new Irish buying, but with turnover standing at little more than ½m shares dealers said that short positions in the market had forced the price higher.

Retailers were once again heavily traded. Gateway finished steady at 173p on turnover of 5m shares, while Sainsbury, Tesco and Argyll all added a couple points.

Michael Peters slumped on the warning of US problems which have caused the chairman to move temporarily to New York where he will devote his full attention to North Amercian business development. Profits are expected to be affected and the shares replied with a fall of 13 to 100p.

Having dropped late the previous session, Parrish, the stockbroker, retreated further to 58p before recovering to 63p on reports that 15 per cent-owned Australian investment group Spedley had gone into liquidation.

Polly Peck, having reported on Wednesday annual profits slightly higher than some market estimates, went easier with the general market. The shares closed 4 off at 315p. In the absence of fresh news, Mr Robert Sassoon of County NatWest WoodMac expects "a relatively dull" short-term performance.

Porth Group, the Wales-based Christmas decorations manufacturer, enjoyed a satisfactory debut on the USM. Some 5m shares were placed at 100p (a total of 13.8m shares are now in issue) and by the close Porth had run ahead to 108p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 32

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
British Airways	359	195	-1	Guinness	2,200	443	-4	Polly Peck Intl.	2,200	315	-4	Taylor Woodrow	383	598	-8
British Gas	4,500	175	-2	Hammerson 'A'	40	771	+2	Prudential	12,000	172½		Tesco	2,200	160	+2
British Land	488	365	-2	Hanson	3,600	180	+½	RHM	441	374	-1	THORN EMI	648	688	-2
BP	7,700	268½	-6	Harrisons & Cros.	51	747	+4	RMC	345	644	-4	Trafalgar House	1,500	367½	-4
British Steel	10,000	81½	-1	Hawker Siddeley	213	628	-5	RTZ	1,100	539	-1	Trusthouse Forte	1,390	281	-1
British Telecom	5,500	271	+1	Hillsdown Hldgs.	887	262		Racal	6,000	381	-2½	Ultramar	3,900	291	-2
Burmah Oil	359	534	-1	IMI	206	270	+1	Rank Org.	509	926	+18	Unilever	725	532	-3
Burton	1,000	202	+1	Imp. Chem.	916	1161	-5	Reckitt & Colman	699	1081	+2	United Biscuits	798	309	
Cable & Wireless	3,600	470½	+3¼	Inchcape	1,300	248	-2	Redland	681	521	-5	Utd Newspapers	308	432	-3
Cadbury Schweppes	1,500	339	-3	Jaguar	593	300	-2	Reed International	905	399	-1	Wellcome	1,800	489	-3
Carlton Comms	245	839	-5	Kingfisher	550	273		Reuters 'B'	560	711	-7	Whitbread 'A'	1,800	339	-4
Commercial Union	1,400	368		Ladbroke	894	529		Rolls Royce	2,200	182½		Williams Hldgs.	298	361	
Cons. Gold Fields	1,400	1358	+5	Land Securities	206	557	-1	Rothmans	261	484	+3	Wimpey	1,600	272	-2

NEW HIGHS AND LOWS FOR 1989

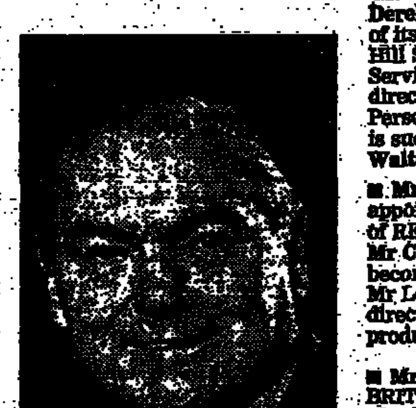
NEW HIGHS (97). [illegible] AG, STORES (3) Dunhill Hldgs., Goodman Grp., Summer Intl., ELECTRICALS (8) ENGINEERING (4) Ash & Lacy, Chemring, Fairey Grp., Victaulic, FOODS (1) Dairy Farm, INDUSTRIALS (14) AIM, Bridgend, Consultant People, Ekeln AS, Hartons Dc. 7pc Prf., ISA Intl., Johnson Cleaners, Marling Ind., Silentnight, Silverthrne, Toye, Wassall, Young (H.), INSURANCE (3) AON Corp., Marsh McLen'n, Travelers, PAPERS (3) Addison Consult., Fairway (London), PROPERTY (3) Five Oaks Invs., Helical Bar, Trevian Hldgs., SHIPPING (1) Runciman (W.), TRUSTS (27) OILS (3) Coastal Corp., Tuskar Res., OVERSEAS TRADERS (1) Sime Darby, MINES (9) THIRD MARKET (2) Hasmocell, Poddington.

NEW LOWS (136). BRITISH FUNDS (81) INT.BANK & O'SEAS GOVT. STLG. ISSUES (7) FOREIGN BONDS (2) Hydro Quebec 15pc 2011, Iceland 14½pc 2016, BANKS (2) Garrard & Nat., Sumitomo Bk., BREWERS (2) Allied-Lyons, Scott & New., BUILDINGS (1) Baldwin, CHEMICALS (2) Plysu, Wardle Storeys, STORES (4) Euro Home Prods., Pantida Grp., Storehouse, Tie Rack, ELECTRICALS (2) Bennett & F'tain, National Tele., FOODS (2) Barr (A.G.), Matthews (B.), INDUSTRIALS (4) BTR Nylex, Cetz, Sherwood, De La Rue, Wade Potts., INSURANCE (1) Taisho M EOR, LEISURE (1) Trilion, NEWSPAPERS (1) Euromoney Pbs., PAPERS (3) Assoc. Paper, SPS Consult., Smith (Davis S.), PROPERTY (1) Slough Ests. 12½pc, TEXTILES (2) Jerome Hldgs., Lyles (S.), TRUSTS (4) Child Health Wrrts., Edin. Fd Mngrs., Intl. City Hldgs., Scot. Nat. Stepped Prf., MINES (1) Croesus Mining, THIRD MARKET (2) Intl. Comm. & Data, Unit Grp.

APPOINTMENTS

Chairman of Evered

Sir Peter Parker *(right)*, chairman of Rockware and former chairman of British Rail, has been appointed to the board of quarry products group EVERED. On July 1 he will become non-executive chairman and Mr Sandy Saunders, the present chairman, will then become deputy chairman. Mr Roy Kettle, the chief executive, said that Mr Saunders had undertaken the role of chairman "at a difficult and sensitive time." Following the Abdullahs' departure he guided the company through a changing period. "He feels that having discharged this responsibility he would prefer, for the present, to take a less time-consuming role," said Mr Kettle.



SIR PETER PARKER

■ Mr Eric Newman has been appointed managing director of Simon-Carves, part of the SIMON GROUP. He was with May & Hassell, Hillsdown Group. Mr Brian Ridal becomes deputy managing director.

■ ASLK-CGER BANK, a Belgian savings bank, has opened a branch in London and appointed Mr Jaques Gilman as general manager, and Mr Christopher F. Fielder as deputy general manager.

■ Mr Michael A.L. Kemp, managing director of G. & L. RALLI INVESTMENT & TRUSTEE CO, and a non-executive director of Ralli Bondite, and Frowds, becomes chairman of Ralli Bondite succeeding Mr L.J. Ralli who remains a non-executive director. Mr Colin D. Hall, managing director of Ralli Bondite and a non-executive director of the holding company, and of Frowds, becomes chairman of Frowds, succeeding Mr L.J. Ralli who remains a non-executive director.

■ AYH PARTNERSHIP has appointed Mr Christopher Barber as divisional director responsible for the new building surveying division.

■ HILL SAMUEL INVESTMENT SERVICES GROUP has appointed Mr Derek Fitch as chief executive of its direct sales subsidiary Hill Samuel Investment Services. He was managing director of Hill Samuel Personal Finance where he is succeeded by Mr John Walton.

■ Mr Alain Le Duc has been appointed financial director of RENAULT UK. He replaces Mr Christian Esteve who has become managing director. Mr Le Duc was financial director of the Douai production plant.

■ Mr John Sutcliffe has joined BRITISH SUGAR as director of sales and marketing. He was marketing director, confectionery division, United Biscuits.

■ Mr David Tyson has been appointed managing director of ALFRED McALPINE CONCRETE MASONRY, Chester. He was with Tarmac Topblock.

■ Mr Gary Napier has been appointed vice president finance, based in London, with WORLDWIDE TELEVISION NEWS. He was with Knight-Ridder Unicom Inc, and succeeds Mr Fred Monson who has moved to New York as vice president, American operations. The company is owned by ITN, ABC in the US, and Nine Networks in Australia.

■ BRITISH NUCLEAR FUELS has re-appointed Mr Christopher Harding as chairman for a further three years.

■ Mr Ewen Cameron has been appointed managing director of SYSTEMS RELIABILITY.

■ Mr Brian Cudby has been promoted from group deputy managing director to managing director of BRANSOM.

■ Mr Peter Shreeve has been appointed technical director, Mr Tony Broster becomes engineering director, and Mr Peter Gingell is made sales director of HYMAN SOUTH WALES.

Mr Kenneth W. Rigby, *(above)* north east regional director, becomes credit and risk director for MIDLAND UK banking from May 1. He succeeds Mr Neil Blair who is retiring.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ● - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; # - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

هكذا من الأصل

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Convtbl & Equity	5	63.02	65.73	69.93	—	5.68
European	5	61.37	61.81	65.75	—	0.21
Far Eastern	5	57.93	58.00	61.70	—	0.94
Growth Inc	5	87.28	90.61xd	96.39	—	1.48
Growth Acc	5	87.28	90.61xd	96.39	—	1.48
Income Inc	5	80.54	82.12	87.36	-0.13	3.63
Income Acc	5	80.54	82.12	87.36	-0.13	3.63
Property Share	5	54.57	54.57	58.15	-0.12	1.12
Smaller Co's	5	58.73	61.86	65.80	—	1.46
Formerly RBC Trust Managers Ltd						
Nth American	5	55.45	55.45	59.29	—	1.85
International	5	44.41	44.41	47.48	—	0.50
Wright Seligman Fund Mngrs Ltd (1000)H						
11 Bloomfield St, London EC2M 7AY 01-588 0592						
Growth	5	95.97	95.57	100.57	—	3.92
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	61.19	63.56	67.61	-0.13	2.99
YUTM Gh Eqty Inc Tst	5¼	58.63	60.74xd	64.62	-0.16	4.72
YUTM Intl Grth Tst	5¼	47.32	47.32xd	50.49	+0.18	2.08

OTHER UK UNIT TRUSTS

	Bid	Offer	+ or -	Yield
Baillie Gifford & Co Ltd				
Int'l Expt Feb 15	428.8	445.3	—	—
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Inv Fund Mar 31	498.00		—	4.76
Fxd Int Sec Mar 31	142.20		—	10.06
Deposit Mar 31	100.00		—	12.56
Charities Official Invest. Fund‡‡				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Income Mar 31	472.94		—	5.05
Accum Mar 31	1541.14		—	—
Edinburgh Fund Mngrs PLC				
Exempt Funds				
American Apr 12	124.2	127.6	-1.1	1.77
Managed Apr 12	124.1	128.7	-3.7	2.23
Japan Apr 13	137.4	141.2	-2.3	0.14
Pacific Apr 14	435.1	447.1	+8.9	0.21
Sm Jap Cos Apr 14	256.7	263.8	-2.5	0.10
Fidelity Investment Services Ltd				
Mngd Pens P'folio	114.7	117.5	-0.20	1.67
Robert Fleming Asset Mngmt Ltd				
Am Exempt Apr 11	£354.50	359.77	—	1.67
Gen Exempt Apr 11	£119.85	122.28	—	3.88
Jap Exempt Apr 11	£653.22	666.22	—	0.48
Indexed Exempt Mar 30	£110.74	113.52	—	4.01
O'seas Indxd Expt Mar 30	£102.41	104.73	—	1.92
Foreign & Colonial Pens Mngt Ltd				
Exempt Funds				
Anglo-Nippon	1824.6	1914.7	-24.8	—
European Inc	92.1	97.0	+0.2	—
European Acc	96.6	101.7	+0.2	—
Managed Exempt	131.7	137.0	-2.8	—
North American	450.2	466.8	-3.5	—
South East Asia	262.5	276.5	-1.9	—
Funds in Court*				
Capital Mar 17	440.9	442.9xd	—	2.30
Gross Mar 17	201.5	202.1	—	6.68
High Yield Mar 17	291.3	292.5	—	5.49
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngd	46.84	49.04xd	-0.08	3.15
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Apr 10	4354.4	4768.5	—	1.4
European Apr 10	419.5	434.5	—	0.8
American Apr 10	300.6	309.5	—	2.2
Far Eastern Apr 10	677.9	719.1	—	0.2
Australian Apr 10	129.4	137.1	—	2.6
Ridings Mar 13	221.1	239.1	—	0.8
Northumbria Mar 10	194.9	208.7	—	1.4
North West Mar 10	263.4	285.1	—	0.7
East Coast Mar 15	90.4	95.6	—	1.2
W Midlands Mar 31	207.7	224.2	—	1.5
Ind Unk Mrt Mar 28	138.3	140.7	—	3.8
Property Apr 6	3140.0	3300.0	—	4.8
Inc Gak Prp Oct 1	1420.0	1480.0	—	6.8

Local Authorities Mutual Invest. Tst.*

INSURANCES

Continued on next page

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Premium Life Assurance Co Ltd
37-39 Perrymount Road Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
American	111 0	117 0	-2	-
Building Soc. Fd.	169 0	178 0	..	-
Balanced	274 0	289 0	..	-
European	160.0	169 0	..	-
GT Managed	175 0	185 0	-1	-
Gartmore Mngd.	112.0	118 0	-1	-
German	111 0	117 0	+1	-
Gilt	174 0	184 0	..	-
Global	48 0	51 0	..	-
High Inc.	116 0	123 0	..	-
International Equity	183 0	193 0	..	-
Japan	239.0	251 0	-2	-
Managed	62.0	66 0	..	-
Property	276.0	291.0	..	-
R W Imperial Gold	134 0	142 0	..	-
UK Equity	365 0	385.0		-
Pension Funds				
American	138.0	146 0	..	-
Building Soc Fd.	168 0	177 0	..	-
Balanced	212.0	224.0	..	-
European	158 0	167 0		-
German	98.0	104 0		-
Gilt	148 0	156 0		-
International Equity	135 0	143.0	.....	-
Japan	137 0	145 0		-
Managed	62.0	66.0	..	-
Property	213 0	225.0	..	-
UK Equity	327 0	345.0	.....	-

Prolific Life & Pensions Ltd
Stramongate Kendall Cumbria LA9 4BE 0539 33733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Gwth Mngd.	562.5	593 6	-1 6	-
Adventurous Mngd	117 3	124 8	-0 2	-
Secure Mngd	106 2	112 0	+0.5	-
Cash Fd	229 9	242 3	+0 0	-
Property Fund	282.0	300 1	+0 0	-
Equity Fund	617 9	657 4	-2 0	-
Fxd Int. Fund	297.1	313 1	-1.0	-
International	276 2	293 9	-1.2	-
High Income	463 9	493 6	-1 8	-
Far East	432.2	455 5	+0 6	-

Prudential Pensions Limited
Holborn Bars, London EC1N 2NH 01-405 9222

	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Apr 12	£146.61	150 68	-3 41	-
Equity Apr 12	£159 76	165 50	-4.48	-
International Apr 12	£24.13	24.85	+0.26	-
Intl Bond Apr 12	£11.33	11.49	-0.08	-
Fixed Int Apr 12	£70 76	71 71	-0.76	-
Index Linked Apr 12	£60.17	60 93	-0 23	-
Property Apr 12	£106.31	112.72	+0 02	-
Cash Apr 12	£20 4668	20 4668	+0.0408	-
Pru-Linked Retirement Plan				
Managed Apr 12	363.3	378.5	..	-
Cash Apr 12	192.5	200.6	..	-
Prudential Pensions Investment Account				
Pens. Mngd Apr 13	149.5	157.2	+0.4	-
Pens UK Eq Apr 13	286 7	301 8	+0 6	-
Pens Intl Apr 13	174.2	183 4	+1.4	-
Pens Fixed Apr 13	162.7	171.3	-0 5	-
Pens Index Lk Apr 13	153 7	161 8	..	-
Pens Cash Apr 13	125.7	132 4	..	-

Regency Life Assurance Co Ltd
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800

	Bid Price	Offer Price	+ or -	Yield Gross
Aggressive Ptflio Fd	114 7	120.7	-0.5	-
Balanced Ptflio Fd.	301.9	317 7	-1.2	-
Cautious Ptflio Fd.	119.3	125.5	-0.3	-
Elite Fund	103 5	108.9	-0.9	-
European Fund	80 1	84.3	+0.3	-
Far East Fund	109 2	114 9	-1.2	-
Fixed Interest Fund	239 6	252.2	-0.4	-
International Fund	253.3	266 6	+0 1	-
Money Fund	174 5	183 6	..	-
N American Fd	110 0	115.7	-0.2	-
Property Fund	410 6	432.2	-0.7	-
UK Equity Fd.	367 0	386.3	-2 4	-
A I M. Brewin Dipl Fd	89 5	94.2	-0.5	-
Smim Select Invs	108 9	114.6	-0.5	-
Chart Safety First Bd.	107.8	113.5	-0.1	-
Exec Master Fd	91 5	96 3	-0 1	-
Hardwich Growth Fd	108 4	114 1	-0 1	-
Bentley Halg LR Port.	96.6	101.7	+0.0	-
Millbourne Spec Port.	109 1	114 8	+1.3	-
Smim Global Fd	109.5	115.3	.....	-

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd—Contd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Wesleyan & General Assurance Soc

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

BERMUDA AUTHORISED

GUERNSEY (**)

JERSEY (SIB RECOGNISED)

JERSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
99	99	Treas 9½pc Cnv 1989	99	.....	-	-
99	97	Treas 3pc 1989	99	.....	3.02	9.70
99	99	Treas 10½pc 1989	99	.....	10.55	12.81
99	98	Exch. 10pc 1989	99	.....	10.08	12.82
99	99	Exch 11pc 1989	99		11.09	12.78
97	95	Treas 5pc 1986-89	97	.....	5.14	10.55
99	99	Exch 10¼pcCv '89	99	.....	10.30	11.12
101	100	Treas 13pc 1990	100		12.95	12.44
99	98	Exch 11pc 1990	98		11.12	12.37
101	100	Exch. 12½pc 1990	100		12.49	12.40
93	91	Treas. 3pc 1990	93	.....	3.22	9.83
96	95	Treas 8¼pc 1987-90	96	.....	8.60	12.12
98	95	Treas. 8pc Cv 1990	95		8.35	11.66
98	97	Treas. 10pcCv 1990	97		10.29	12.09
90	87	Exch 2½pc 1990	89		2.79	9.71
101	99	Treas 11¾pc 1991	99		11.79	11.93
91	89	Funding 5¾pc '87-91	91	.....	6.29	10.71
88	86	Treas. 3pc 1991	87	.....	3.42	9.64
100	96	Treas 10pc Cv '91	97		10.31	11.56
101	98	Exch. 11pc 1991	98		11.16	11.68
94	91	Treas. 8pc 1991	91		8.72	11.67
106	103	Treas 12¾pc 1992	103		12.36	11.36
99	96	Treas 10pc 1992	96		10.36	11.43
94	91	Treas. 8pc 1992	91		8.74	11.39
100	97	Treas 10½pc Cv 1992	97		10.73	11.34
85	82	Treas 3pc 1992	83	.....	3.60	9.15
105	102	Exch. 12¼pc '92	102		11.96	11.35
109	105	Exch 13½pc 1992	106		12.72	11.28
94	90	Treas 8¼pc 1993	91		9.06	11.15
100	96	Treas 10pc 1993	96		10.33	10.99
108	104	Treas 12½pc 1993	104		11.93	11.05
87	85	Funding 6pc 1993	85		7.03	10.17
113	109	Treas 13¾pc 1993	109		12.54	11.01
94	90	Treas. 8½pc 1994	90		9.36	10.99
117	113	Treas 14½pc 1994	113		12.75	10.79

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
45	42	Consols 4pc	43	+½	9.2	
40	38	War Loan 3½pc	38	+¼	9.1	
70	60	Conv. 3½pc '61 Aft	66	.....	5.3	
41	31	Treas. 3pc '66 Aft	36	+	8.2	
30	26	Consols 2½pc	27	+	9.1	
29½	26	Treas. 2½pc	27	+	9.2	

Index-Linked

1989 High	Low	Stock	Price £	+ or -	(1)	(2)
127¼	124	Treas 2pc IL '90(84.6)	127	.....		
106	103	Do. 2pc '92(97.8)	106			
99	94	Do. 2 '94 (102.9)	98			
145	139	Do. 2pc '96(67.9)	144			
124	118	Do 2½pc '01(78.3)	123			
122	115	Do. 2½pc '03(78.8)	120			
125	117	Do. 2pc '06(69.5)	123			
117	110	Do. 2½pc '09(78.8)	115			
123	114	Do. 2½pc '11(74.6)	120			
102	95	Do. 2½pc '13(89.2)	100			
110	101	Do. 2½pc '16(81.6)	108			
108	100	Do. 2½pc '20(83.0)	106			
91	84	Do. 2½pc '24(97.7)	89			

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for July 1988:106.7 and for February 1989:111.8

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

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CANADIANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
157p	130p	♥ABM Gold Corp ‡	130p	.....	–	–	–
18½p	4½p	♥Abbot Energy Corp	18½p	..	–	–	–
13¼	902p	♥Amer. Barrick Res	12⅝	.....	–	–	–
3¼p	2½p	♥Amer. Lightwave ‡	2½p	.....	–	–	–
19½p	12¼p	♥Armeno	14½p	–1	–	–	–
298p	94p	♥Asiamerica Hldgs‡	298p	.....	–	–	–
33¼p	22¼p	♥Augmitto Expln	24¼p	+2	–	–	–
14⅝	12⅞	Bk. Montreal ‡	14¼	.....	$2.12	–	7.1
762p	655p	Bk. Nova Scot. ‡	718p	+10	84c	–	5.6
18¾	17	BCE ‡	18¾	.....	$2.44	–	6.4
766p	570p	♥Bow Valley‡	755p	–9	♦40c	–	2.5
14¼	12¼	♥Brascan‡	13½	–⅛	88c	–	3.1
228p	178p	♥Breakwater Res	178p	–3	10c	–	2.7
13⅜	11⅛	Can Imp Bank‡	13¼	.....	$1.16	–	4.2
12¼	997p	Can. Pacific ‡	11½	–⅛	76c	–	3.2
41½	38½	Do. 4pc Deb £100	41½	..	4%	–	9.6
511p	374p	Central Capital "A" ‡	477p	–14	–	–	–
448p	340p	♥Corona Corp	376p	–14	–	–	–
373p	228p	♥Cons TVX Min	330p	.....	–	–	–
48½p	19½p	♥Danbus Mem. Syst.‡	22¼p	–3½	–	–	–
633p	524p	♥Derlan Inds. ‡	613p	–9	11.75c	–	0.9
953p	751p	♥Echo Bay Mines	886p	+9	$0.07	–	0.4
572p	370p	♥ECO Corp ‡	448p	.....	–	–	–
16¼p	9½p	♥Energex Minerals‡	12½p	+2	–	–	–
234p	203p	♥Galactic Resources	225p	–1	–	–	–
336p	243p	Gandalf Techs. Inc	254p	–7	–	–	–
54½p	27½p	♥Geodome Res	34½p	+7½	–	–	–
193p	138p	Granges Expln‡	155p	+7	–	–	–
27½p	6p	♥Gt Pacific Res	12¼p	–4	–	–	–
779p	651p	♥Gulf Canada‡	730p	–9	52c	–	3.4
12½	10¼	♥Hawker Sid Can‡	12½	+¼	$1.08	–	4.2
588p	349p	♥Henlys Group	557p	–27	–	–	–
13⅛	11½	♥Hudson's Bay ‡	12⅞	.....	60c	–	2.2
28¾	22	♥Imperial Oil‡	26¼	–⅛	$1.60	–	3.3
18⅞	14¼	Inco‡	17¼	–¼	$0.80	–	2.7
672p	599p	♥Inland Nat. Gas $1	663p	–9	60c	–	4.3
211p	102p	♥Madeleine Mines	201p	–10	–	–	–
193p	163p	♥Muscocho Expln	176p	+2	–	–	–
126p	85½p	♥Nevada Goldfields	114p	–2	–	–	–
12½	10⅞	♥Rio Algom	12¼	.....	$1.30	–	5.1
19¾	17¼	Royal Bk. Can. ‡	19¼	.....	$2.20	–	5.4
41½	33⅜	Seagram‡	41¼	.....	US$1.40	–	2.0
112p	74½p	♥Sonora Gold Corp‡	88½p	–1½	–	–	–
85p	33p	♥Spiral Eng ‡	64½p	–7½	–	–	–
109p	73p	♥Tam Pure Tech. Corp‡	94½p	–14½	–	–	–
19½	16¼	Toronto-Dom. Bk.‡	18½	–¼	$1.12	–	2.9
820p	696p	♥Trans Can Pipe	820p	.....	68c	–	4.0
163p	154p	Varity Corp‡	168p	–3	8	–	–

BANKS, HP & LEASING

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES & SPIRITS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS – Contd

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING – Contd

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd.

1989 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LEISURE

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الأصل

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LEISURE—Contd

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

TRUSTS, FINANCE, LAND—Contd

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- ∅ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♠ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ... γ	91	......
Craig & Rose £1. γ	720	......
Finlay Pkg 5p.... γ	91	......
Holt (Jos) 25p.... γ	1280	+5

IRISH

Cap. 8½% Ln 1991...	£100⅞	......
9pc Cap Ln 1996	£101	......
Fin. 13% 97/02...	£120½	......
Arnotts..................	460	......
Carrol (P J.)....... γ	152	......
Hall (R. & H.).......	156	......
Helton Hldgs....... γ	78	+2
Irish Ropes..........	190	......

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	48
Amstrad	18
BAT	40
BOC Grp	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	20
Bowaters	38
Brit Aerospace	42
Brit Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	30
Land Securities	52
MEPC	50

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	9
Shell	45
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £985 per annum for each security.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Strong demand for D-Mark

THE WEST German D-Mark rose sharply in currency markets yesterday, following the appointment of Mr Theo Waigel as the new West German Minister of Finance, replacing Mr Gerhard Stoltenberg. Mr Waigel is regarded as a key opponent to the recent 10 per cent withholding tax imposed in January this year on German domestic bonds both for overseas investors and West German domiciles. There is now speculation that the tax will be abolished, or at least strongly modified. This encouraged investors to move back into D-Mark denominated instruments.

The D-Mark rose to its best level for seven years against the Swiss franc, prompting the Swiss central bank to raise its discount rate by half a point to 4.5 per cent. The D-Mark touched a high of SFr0.8877, up from SFr0.8840, before slipping back to SFr0.8785 on the rise in Swiss rates, but rallying to close at SFr0.8795.

The US dollar lost ground as investors switched into the D-Mark. The US unit had already opened in London on a softer note before the rise in Swiss rates, following clear signs in Far East markets that the Bank of Tokyo is displeased with the dollar's rise. The Japanese authorities made no direct dollar sales but made sure that speculators were aware of its presence by asking for quotations in the market.

The dollar's upward potential is likely to be limited in early trading today before the release of US producer prices for March and trade figures for February.

The dollar closed at DM1.8730 from DM1.8865 and Y132.25 from Y132.95. Elsewhere, it finished at SFr1.6470 from SFr1.6665 and FFr6.3425 compared with FFr6.3675. On Bank of England figures, the dollar's exchange rate index fell from 68.5 to 68.2. A 0.1 per cent rise in US retail sales in March failed to have much impact, as it came within market expectations.

Sterling held steady yesterday, supported by the high level of UK interest rates. An rise in the UK average rate of earnings in February to 9.25 per cent increased fears that bank base rates may be pushed higher in order to control inflation. The pound's exchange rate index finished at 95.5, unchanged from the close on Wednesday. A fall of 30,600 in the number of unemployed in March served as a further reminder of the buoyant state of the economy. The pound improved against the dollar to $1.6970 from $1.6900 but fell in D-Mark terms to DM3.1775 from DM3.1875. It was also lower against the yen at Y224.50 from Y224.75. Elsewhere, it finished at SFr2.7950 from SFr2.8175 and FFr10.7625 compared with FFr10.7600.

The French franc was a little weaker at the close of business in terms of the D-Mark. The latter was quoted at FFr3.3860 up from FFr3.3750. However, many investors are still content to run short positions in the D-Mark, preferring to gain from the interest rate differential in the franc's favour.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Apr 13	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5359	+2.54	+0.86	±1.5344
Danish Krone	7.85212	8.09004	+3.03	+1.35	±1.6404
German D-Mark	2.05853	2.07917	+1.00	-0.68	±1.0981
French Franc	6.90403	7.03796	+1.94	+0.26	±1.3674
Dutch Guilder	2.31943	2.34041	+0.90	-0.50	±1.5012
Irish Punt	0.768411	0.777696	+1.18	-0.20	±1.6684
Italian Lira	1483.58	1527.69	+2.97	+1.99	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Apr 13	Latest	Previous Close
£ Spot	1.7015-1.7030	1.6915-1.6925
1 month	0.37-0.36pm	0.37-0.35pm
3 months	1.18-1.16pm	1.20-1.17pm
12 months	3.54-3.49pm	3.74-3.64pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Apr 13	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Apr 13	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Apr 13	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

OTHER CURRENCIES

Apr 13	£	$
[illegible]	[illegible]	[illegible]

POUND SPOT- FORWARD AGAINST THE POUND

Apr 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Apr 13	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Apr 13	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Apr 13	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100

FINANCIAL FUTURES

German bonds set record

TURNOVER IN West German Government bonds was at a record level on Liffe yesterday. Volume was an estimated 34,835 contracts, compared with the previous peak of 29,869 on March 7. Liffe reported that volume in general was active at around 130,000 lots for all contracts.

June German bonds opened firm at 93.80 and touched a peak of 93.93, on expectations that the Government in Bonn will modify rules on withholding tax. The tax was introduced in January and has led to a flight of capital from West Germany.

The June contract fell back on profit taking, to close at 93.65, but still finished above Wednesday's finish of 93.34.

Sterling based contracts weakened on news that UK average earnings rose a larger than expected 9¼ per cent in February. The market was expecting an unchanged rise of 9 per cent, and the published figure pushed June short sterling down through a technical support level of 86.57, the previous record low for the contract. It closed at 86.52, compared with 86.61 on Wednesday.

LIFFE LONG GILT FUTURES OPTIONS / LIFFE US TREASURY BOND FUTURES OPTIONS / LIFFE £/$ OPTIONS / LIFFE EURODOLLAR OPTIONS / LIFFE SHORT STERLING / PHILADELPHIA SE £/$ OPTIONS / LONDON SE £/$ OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE) / CHICAGO

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6970	1.6936	1.6851	1.6740	1.6595

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.6916	1.6950	1.6878	1.6628
Sep	1.6830	1.6850	1.6780	1.6712
Dec	1.6750	1.6770	-	1.6650

EUROPEAN OPTIONS EXCHANGE

Series		May 89 Vol	Last	Aug. 89 Vol	Last	Nov. 89 Vol	Last	Stock
[illegible]								
Unilever P	Fl. 130	185	0.40	93	3.90	35	5	Fl. 132.80
Van Ommeren C	Fl. 45	155	0.40	1419	2	231	2.60	Fl. 43.20
Van Ommeren P	Fl. 40	154	0.10	12	1.40	-	-	Fl. 43.20
Wessanen C	Fl. 80	220	2	46	3.50	12	5	Fl. 81.20

TOTAL VOLUME IN CONTRACTS : 61,081

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

Swiss rate rise

INTEREST RATES had a firmer tone in Europe yesterday, as Switzerland and the Netherlands moved to stem the decline of the Swiss franc and guilder against a strengthening D-Mark.

The Swiss National Bank announced a rise of ½ per cent to 4½ per cent in its discount rate. The Lombard rate was increased by 1 per cent to 7 per cent. The last rise in Switzerland's two key interest rates was on January 20.

Ms Sabine Blümel, European economist at Morgan Grenfell, said the Swiss central bank

UK clearing bank base lending rate 13 per cent from November 25

must have planned the move for some time, but the rise of 1 per cent in the Lombard rate came as something of a surprise. On the other hand, the timing was good since it coincided with strong speculation that West Germany will modify rules regarding withholding tax on investment earnings. The Swiss franc improved against the D-Mark, but Ms Blümel said there was no change in the underlying situation and she expects the franc to continue to weaken.

In Amsterdam the Dutch Central Bank offered a tender for three-day special advances at a rate of 6.5 per cent, compared with 6.4 per cent at the previous tender. This will replace Fl 4.5bn draining from the banking system today as a seven-day pact expires. The rate rise was seen as a move to counter the rise of the D-Mark against the guilder.

In London interest rates were little changed, with three-month interbank steady at 13⅛-13¼ per cent, in spite of a larger than expected rise of 9¼ per cent in the rate of February UK average earnings.

The Bank of England initially forecast a flat credit position on the money market, but revised this to a surplus of around £100m at noon. The authorities did not operate in the market during the morning, but in the afternoon absorbed the surplus by selling £115m Treasury bills, due today, at rates of 10-10¼ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £202m, with a rise in the note circulation absorbing £55m and bank balances below target £40m. These factors were offset by Exchequer transactions adding £305m to liquidity.

In New York the Federal Reserve added $1.5bn to the banking system, via a customer repurchase agreement, when Federal funds were trading at 9¾ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.13) 3 months US dollars		6 months US Dollars	
bid 10⅛	offer 10¼	bid 10⅜	offer 10½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	11½
Broker loan rate	10¾-½
Fed.funds	9¾
Fed funds at intervention	9¾

Treasury Bills and Bonds

One month	8.75	Three year	9.59
Two month	8.93	Four year	9.56
Three month	9.10	Five year	9.48
Six month	9.37	Seven year	9.40
One year	9.56	10-year	9.31
Two year	9.64	30-year	9.13

Apr 13	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.75-5.85	5.90-6.05	6.05-6.20	6.25-6.40	6.55-6.70	6.00
Paris	7[illegible]-8	8[illegible]-8[illegible]	8[illegible]-8[illegible]	8[illegible]-8[illegible]	8[illegible]-8[illegible]	7.25
Zurich	4⅞-5⅛	5½-6	-	6-6¼	-	-
Amsterdam	5.00-5.25	6.33-6.43	-	6.60-6.70	-	-
Tokyo	3[illegible]-4	4½-4[illegible]	-	4⅝-4[illegible]	-	-
Milan	12¼-12¾	11¾-12¼	-	12¼-12¾	-	-
Brussels	8.60	7⅞-8	-	8[illegible]-8[illegible]	-	-
Dublin	7¼-7½	7¾-8	7⅞-8⅛	8⅛-8⅝	8⅜-8⅝	-

LONDON MONEY RATES

Apr 13	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	11	10⅞	12⅝	13[illegible]	13½	13½
Interbank Bid	8	10⅝	12½	13⅛	13¼	13[illegible]
Sterling CDs	-	-	12[illegible]	13¼	13¼	13[illegible]
Local Authority Deps.	10¼	10¼	12½	13[illegible]	13¼	13¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	11	10	12¼	12¾	-	-
Company Deposits	-	-	12⅝	13[illegible]	13⅜	13⅜
Finance House Deposits	-	-	12⅝	13[illegible]	13⅜	13⅜
Treasury Bills (Buy)	-	-	12[illegible]	12[illegible]	-	-
Bank Bills (Buy)	-	-	12½	12⅞	12⅝	-
Fine Trade Bills (Buy)	-	-	13⅛	13½	13¼	-
Dollar CDs	-	-	9.95	10.15	10.40	10.72
SDR Linked Dep Offer	-	-	8[illegible]	8½	8[illegible]	8⅞
SDR Linked Dep Bid	-	-	7[illegible]	8¼	8[illegible]	8⅝
ECU Linked Dep Offer	-	-	8⅝	8[illegible]	8[illegible]	9⅛
ECU Linked Dep Bid	-	-	8¼	8[illegible]	8[illegible]	9⅛

Treasury Bills (sell); one-month 12[illegible] per cent; three months 12[illegible] per cent: Bank Bills (sell); one-month 12¾ per cent; three months 12[illegible] per cent. Treasury Bills; Average tender rate of discount 12.5707 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 31, 1989. Agreed rates for period April 26,1989 to May 23, 1989, Scheme I: 13.90 p.c.. Schemes II & III: 14.37 p.c. Reference rate for period March 1 to March 31, 1989 Scheme IV&V: 13.068 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13½ from April 1, 1989. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9½ per cent; one-three months 11 per cent; three-six months 11 per cent, six-nine months 11 per cent; nine-twelve months 11 per cent, Under £100,000 9½ per cent from December 1,1988. Deposits withdrawn for cash 5 per cent

BASE LENDING RATES

	%		%		%
ABN Bank	13	Clydesdale Bank	13	NatWestminster	13
Adam & Company	13	Comm.Bk.N.East	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Co-operative Bank	*13	Norwich Gen. Trust	13
Allied Irish Bank	13	Coutts & Co	13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Cyprus Popular Bk	13	Provincial Bank PLC	14
ANZ Banking Group	13	Dunbar Bank PLC	13	R. Raphael & Sons	13
Associates Cap Corp	12	Duncan Lawrie	13	Roxburghe G'rantee	13½
Authority Bank	13	Equatorial Bank plc	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Exeter Trust Ltd	13½	Royal Trust Bank	13
Bank of Baroda	13	Financial & Gen. Bank	13	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	First National Bank Plc.	14	Standard Chartered	13
Bank Hapoalim	13	● Robert Fleming & Co.	13	TSB	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Bk of Kuwait	13
Bank of Cyprus	13	Girobank	13	United Mizrahi Bank	13
Bank of Ireland	13	● Guinness Mahon	13	Unity Trust Bank Plc	13
Bank of India	13	HFC Bank plc	13	Western Trust	13
Bank of Scotland	13	● Hambros Bank	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Whiteaway Laidlaw	13½
Barclays Bank	13	● Hill Samuel	§13	Yorkshire Bank	13
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.75		
Citibank NA	13	Mount Banq Corp.	13		
City Merchants Bank	13	Nat Bk. of Kuwait	13		

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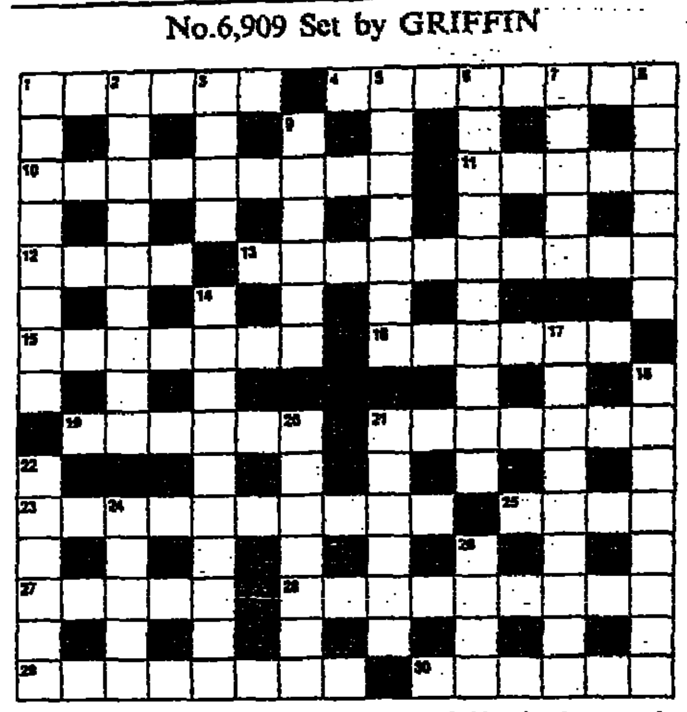
CROSSWORD

No.6,909 Set by GRIFFIN



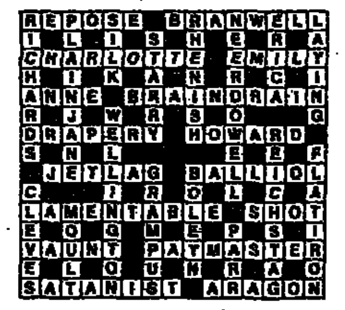
ACROSS

1 Puzzler inserted "Buffalo Bill" for humour (6)
4 Mum blames cook for mess (8)
10 Cunning condition before Eric replaced craftsman (9)
11 and 27 Daub one in mud off a manual (5-6)
12 She's from Ireland not Southend! (4)
13 A terrible pittance, I expect (10)
15 Cheerful copper admitted being the messenger (7)
16 Abandoned Otto at a military display (6)
19 Slough, in which a piano is modified (6)
21 Caught one taking boat back to reservoir (7)
23 House poor Nora moved into on famous street (10)
25 Having English flag in front is prudent (4)
27 (see 11 across)
28 Maybe she wore it differently? (9)
29 Closely examines model wearing glasses outside (6)
30 Heartless city gent perverted young swimmer (6)

DOWN

1 Personal gift of charm is a disaster (8)
2 Fancy Marti knowing a very old woman (9)
3 Stupid craze for going up the West End (4)
5 Musician working on his part (7)
6 Cambridge banker stands over hot sink (cracked, but it's waterproof!) (10)
7 Walk up to a wool producer (5)
8 Being against going in hers I foolishly shake (6)
9 Inadequate toilet in some beastly place (6)
14 Battered tin Rene put for cleaning paint brushes in (10)
17 Theatre happening turned into musical entertainment first (9)
18 Poor Enid takes very little money gross (8)
20 City editor set out on time (7)
21 Fool man with dress (6)
22 Pam is prepared to accept cold prawns (6)
24 Where people box jewellery (5)
26 Coming up to jabber about right to beg (4)

Solution to Puzzle No.6,908



JOTTER PAD

WORLD STOCK MARKETS

AUSTRIA — FRANCE (continued) — GERMANY (continued) — ITALY (continued) — SWEDEN — BELGIUM/LUXEMBOURG — NETHERLANDS — SWITZERLAND — DENMARK — FINLAND — NORWAY — FRANCE — SPAIN — SOUTH AFRICA — ITALY — GERMANY — JAPAN — AUSTRALIA — HONG KONG — SINGAPORE

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
4pm prices April 13

Quotations in cents unless marked $.

[illegible]

f - No voting rights or restricted voting rights.

MONTREAL
4pm prices April 13

Sales	Stock	High	Low	Close	Chng
19136	BombrdrA	$11⅝	10⅝	11⅝	- ⅛
22300	BombrdrB	$11¼	11¼	11½	- ¼
7765	Cascades	[illegible]	[illegible]	[illegible]	
16959	DomTxtA	$14⅛	14	14	- ⅛
7840	Mornotec	$10⅝	10⅜	10⅜	- ⅛
1503	MntTrst	$23¼	23¼	23¼	
86018	NatBk Cda	$12¾	12½	12½	- ⅛
25548	Noverco	$11½	11⅜	11½	+ ⅛
12350	Power Corp	$14⅝	14⅝	14⅝	- ⅛
178154	Provigo	[illegible]	[illegible]	[illegible]	+ ⅛
350	SteinbrgA	$39	39	39	+ ¼
12073	Videotron	$16⅛	16¼	16¼	- 1

Total Sales 4,234,120 shares.

INDICES

NEW YORK — DOW JONES

	Apr 13	Apr 12	Apr 11	Apr 10	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2296.00	2319.65	2311.58	2301.87	2347.14 (7/2)	2144.64 (3/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	87.82	87.86	87.86	87.96	89.62 (8/2)	87.35 (23/3)	-	-
Transport	1071.96	1075.52	1073.58	1067.43	1087.97 (7/2)	959.95 (3/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	185.69	186.28	186.46	185.81	191.15 (24/1)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2321.85 (2332.84) Low 2289.59 (2304.44)

STANDARD AND POOR'S	Apr 13	Apr 12	Apr 11	Apr 10	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	296.40	298.99	298.49	297.11	299.63 (7/2)	275.31 (3/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial (latest)	343.89	344.95	344.24	342.48	346.41 (7/2)	318.66 (3/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	27.70	28.02	28.05	28.03	28.11 (7/4)	24.30 (3/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	166.54	167.82	167.58	166.89	168.10 (16/3)	154.98 (3/1)	167.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	333.44	334.23	333.14	331.40	334.23 (12/4)	305.24 (3/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	413.86	415.68	413.54	411.14	415.68 (12/4)	378.56 (3/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Apr 7	Mar 31	Mar 17	year ago (approx.)
Dow Industrial Div. Yield	3.62	3.63	3.70	3.35

	Apr 12	Apr 6	Mar 15	year ago (approx.)
S & P Industrial div. yield	3.12	3.16	3.13	2.94
S & P Indl. P/E ratio	13.26	13.09	13.17	15.35

TRADING ACTIVITY — † Volume Millions

	Apr 13	Apr 12	Apr 11
New York	141.990	165.200	146.830
Amex	11.289	12.528	11.735
OTC	(u)	161.304	133.273

NEW YORK	Apr 13	Apr 12	Apr 11
Issues Traded	1,947	1,958	1,935
Rises	443	804	873
Falls	985	615	503
Unchanged	519	539	559
New Highs	54	105	88
New Lows	20	27	26

CANADA

TORONTO	Apr 13	Apr 12	Apr 11	Apr 10	1989 High	1989 Low
Metals & Minerals	3305.0	3314.3	3337.5	3292.3	3564.9 (6/2)	3207.5 (3/1)
Composite	3555.7	3568.7	3571.7	3552.9	3696.1 (8/2)	3350.5 (6/1)
MONTREAL Portfolio	1775.32	1788.58	1790.79	1778.79	1650.44 (8/2)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day
SmithKline Beckman	3,305,800	63⅛	+ ⅛
Exxon	2,114,200	42	.....
Circle K	1,963,600	16⅜	+ 1
Maxus Energy	1,606,400	7	- ⅛
AT&T	1,548,300	31	- ⅛
Barold	1,508,100	7⅛	+ ½
Freeport McMoran	1,269,900	36¼	+ 3
NWA Inc	1,255,300	89⅞	- ⅞
RJR Nabisco	1,254,700	86	- 1
Philip Morris	1,185,700	117½	- 2⅜

Base values of all indices are 100 except NYSE All Common - 50; Standard and Poor's - 10; and Toronto Composite and Metals - 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr. 13	Apr 12	Apr. 11	Apr 10	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1421.5	1421.9	1414.7	1413.3	1551.7 (31/1)	1412.9 (7/4)
All Mining (1/1/80)	668.6	666.9	663.0	657.0	727.0 (26/1)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	306.64	303.56	303.65	301.83	306.64 (13/4)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	5851.70	5832.41	5827.19	5811.71	5851.70 (13/4)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	294.87	294.78	294.02	293.44	297.45 (6/4)	275.49 (27/2)
FINLAND						
Unitas General (1975)	807.6	805.6	808.9	815.1	815.1 (10/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	459.3	458.3	456.6	455.1	459.3 (13/4)	417.9 (4/1)
Ind Tendance (30/12/88)	107.6	107.9	107.5	106.6	108.1 (3/2)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	585.28	578.19	575.39	571.02	585.28 (13/4)	535.78 (27/2)
Commerzbank (1/12/53)	1741.9	1721.0	1712.8	1699.2	1741.9 (13/4)	1595.7 (27/2)
DAX (30/12/87)	1387.76	1381.66	1369.35	1359.22	1387.76 (13/4)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	3079.15	3060.16	3026.0	3021.43	3209.96 (9/2)	2706.69 (3/1)
ITALY						
Banca Com. Ital. (1972)	600.81	602.99	603.56	604.14	615.89 (17/1)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	33063.94	33256.45	33249.58	32999.0	33360.79 (5/4)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2455.21	2466.39	2470.23	2458.80	2494.74 (5/4)	2366.91 (6/1)
NETHERLANDS						
CBS Tll Rtn.Gen.(End 1983)	232.8	234.3	232.6	232.2	234.3 (12/4)	208.3 (3/1)
CBS All Shr (End 1983)	185.8	187.4	186.0	185.7	187.4 (12/4)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	629.36	626.83†	611.96	603.32	629.36 (13/4)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1241.31	1219.02	1201.43	1191.97	1241.31 (13/4)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1515.0‡	1496.0	1518.0	1527.0	1639.0 (23/3)	1291.0 (15/2)
JSE Industrial (28/9/78)	2437.0‡	2439.0	2446.0	2460.0	2493.0 (5/4)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	293.94	295.29	296.25	297.29	297.29 (10/4)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	3821.7	3832.8	3815.8	3846.7	3912.2 (6/4)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	672.7	670.5	673.0	670.0	673.0 (11/4)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	(u)	505.6	503.5	519.0 (17/2)	491.2 (28/3)

‡ Subject to official recalculation † Correction.

Base values of all indices are 100 except Brussels SE and DAX - 1,000 JSE Gold - 255.7 JSE Industrials - 264.3 and Australia, All Ordinary and Mining - 500. (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday 13 April 1989

	Stocks Traded	Closing Prices	Change on day
Nishimatsu	46.8m	1,900	+50
Amada	16.6m	1,520	+10
Toshiba	14.8m	1,240	-30
Fujita	14.6m	2,300	+160
Nippon Kayaku	13.4m	1,470	+20
Nippon Steel	12.6m	606	-8
Ebara	12.5m	2,060	-40
Nikkatsu	11.9m	613	+18
Tsubakimoto	10.9m	1,110	+70
Ohbayashi	10.6m	1,810	uch

4pm prices April 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A-A-A -								
29	21¼	AAR	.44	1.6	18	425	28	27½	27½	- ¼
10¼	8⅞	ACM n	1.01	12.		728	8⅞	8¾	8¾	
11⅞	10¼	ACMIn	1.25a	12.		568	10⅞	10¾	10¾	- ⅛
10¼	8½	ACM M	n1.01	11.		144	9⅛	8⅞	9	
11½	10⅛	ACM Sc	1.26	12.		961	10⅝	10½	10⅝	+ ⅛
10⅛	8⅜	ACMSp n	.93e	11.		332	8¾	8⅝	8⅝	
5⅛	2⅝	AMCA	.12e	3.2		169	3⅞	3¼	3¾	+ ⅛
6⅛	3⅞	AM Ind				998	6	5⅞	5⅞	- ⅛
23½	18⅛	AM Int pf	2	8.7		351	23⅛	23	23	- ⅛
62¼	39	AMR			8	2481	60⅛	59⅛	59¼	- ⅝
26¼	25	ANR pf	2.67	10		11	25½	25⅜	25½	+ ¼
24⅜	23	ANR pf	2.12	9.1		1	23¼	23¼	23¼	
9½	4¼	ARX				365	4⅞	4¾	4⅞	
47	35¼	ASA	3a	7.1		755	42⅝	42¼	42½	+ ½
20¼	14¾	AVX	.24	1.4	9	270	18	17⅛	17⅞	+ ⅝
55¾	42⅞	AbtLab	1.40	2.6	16	2186	54⅝	53⅝	54¼	- ½
19	15⅜	Abitibi g	1			43	16½	16¼	16⅜	- ¼
13¼	7½	AcmeC	.40	4.1		51	9¾	9⅝	9¾	+ ¼
7⅝	5⅞	AcmeE	.32	4.4	26	3	7⅜	7¼	7¼	
30¾	20¼	Acuson			25	261	30⅛	29⅝	29¾	- ¼
18⅞	14¼	AdaEx	1.62e	12.		84	14⅝	14½	14⅝	+ ⅛
18⅞	7⅛	AMD				3608	9⅝	8⅞	9	
43½	29¾	AMD pf	3	8.9		259	33⅝	33¼	33⅞	+ ⅛
8⅝	6½	Adobe				65	7¾	7⅝	7½	- ¼
18¼	16½	Adob pf	1.84	11.		25	17½	17⅜	17⅜	- ¼
21¾	20	Adob pf	2.40	12.		30	20½	20⅜	20½	- ¼
9⅛	6⅞	Advest	.12	1.7	16	30	6⅞	6⅞	6⅞	
53½	39½	AetnLf	2.76	5.2	9	1719	53½	53⅛	53¼	- ⅛
44½	24	AflPb s	.22	.5		835	42¼	41¼	41½	- ⅝
18⅜	13¾	Ahmans	.88	5.1	9	943	17½	17⅜	17⅜	
4⅜	2⅝	Aileen			22	13	3⅞	3¾	3⅞	+ ⅛

Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
11¾	7⅞	WyleLb	.28	3.0	12	97	9⅝	9½	9½	– ⅛
27¾	18¼	Wynns	.60	2.2	23	65	27⅞	27¼	27¼	– ¼
22⅝	4½	Wyse				1933	7	6⅝	6⅝	– ¼
		– X–Y–Z –								
68⅝	50¼	Xerox	3	4.8	18	3708	64¼	62⅛	62⅛	–2
49¾	44½	Xerox pf	4.13	9.2		22	45½	45	45	– ½
44¼	28¼	XTRA	.72	2.0	13	63	36¼	35⅞	35⅞	
33	25	XTRA pf	1.94	6.9		11	28¼	27⅞	28¼	
3⅞	2	Zapata				571	2⅜	2⅜	2⅜	
27⅛	18⅝	Zayre	.40	1.6	186	5785	25⅛	24¾	24⅞	– ⅛
15½	10½	Zemex	.40	3.8	22	18	10⅞	10⅝	10⅝	
30	16½	ZenithE			98	6850	19½	18½	19½	+ ⅞
10¾	8⅞	Zeninc	.69e	7.3		336	9⅝	9½	9½	– ⅛
2⅜	1	vjZenLb				229	2	1⅞	2	
21⅝	15	ZenNtl	.80b	4.3	9	132	18⅝	18⅝	18⅝	– ⅛
19⅞	13	Zero	.44	2.4	15	91	18⅝	18⅛	18⅛	
29⅛	19	Zurnin	.68	2.5	15	288	28⅞	27½	27½	– ⅞
11¼	9⅞	Zweig	1.07e	10.		435	10⅞	10⅝	10¾	– ⅛
10⅛	8¾	ZweigT	n.24e	2.7		815	9	8¾	8⅞	– ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices April 13

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng.
[illegible]							

OVER-THE-COUNTER

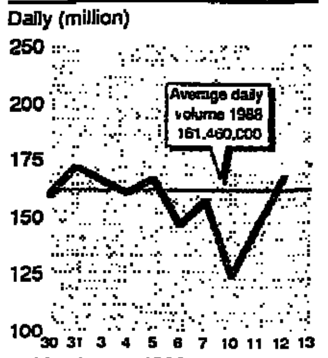
Nasdaq national market, 3pm prices April 13

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
[illegible]							
WtMrcA			35	20½	20¼	20½	– ⅛
Wstmrk		31	397	33½	32½	32½	– ⅞
WmorC			217	19½	19¼	19¼	
Weston		21	92	14	13½	13⅝	– ⅜
WstwOn			158	8½	8¼	8½	+ ¼
Wetrn	.56	14	62	25	24⅞	24⅞	– ⅛
Whitbrt		29	1658	7⅝	7 7-16	7½	
WhelTch		23	857	25⅛	25	25	– ⅛
Wmclub		18	684	11⅝	11⅛	11¼	– ⅜
WillamT	1.45	7	464	47	46½	46½	– ½
WilmTr	1	11	75	34⅜	34¼	34¼	– ⅛
WiserO	.40	62	26	16⅞	16⅝	16⅝	– ⅛
Wolohn	.28	10	517	19⅜	18¾	19	
WolvEx			83	7⅛	7	7⅛	+ ⅛
Worthg	.48	14	577	21⅞	21½	21½	– ⅜
Wyman	.80	19	93	15¾	15⅜	15¾	+ ¼
		– X–Y–Z –					
XL Dta s		18	63	19¾	19¼	19¼	– ½
XOMA			1569	15¾	15¼	15⅝	– ⅛
Xicor		10	2843	6¼	6	6⅛	
YelowF	.70	11	491	28⅜	28⅛	28⅛	
ZionUt	1.44		229	24⅝	23½	24⅝	+ ⅞
Zycad			136	3⅝	3½	3½	– ⅛

FINANCIAL TIMES Friday April 14 1989

AMERICA

Dow dips as investors wait for set of key statistics



Wall Street

THE EQUITY market yesterday ran out of steam and fell quite sharply before today's clutch of economic data, after two days of gains mostly because of takeover speculation, *writes Janet Bush in New York*.

The Dow Jones Industrial Average ended near its lows for the session to be quoted 23.65 points down at 2,296.00. Volume was light with only 141m shares changing hands.

There was some drag from other financial markets, where the dollar weakened and bonds declined despite a neutral to reasonably positive set of retail sales figures. The dollar was quoted in late trading at Y132.05 compared with an earlier high of Y133.20 and at DM1.8720 from DM1.8830 earlier. Bonds were quoted as much as ½ point lower.

Retail sales rose 0.1 per cent in March, in line with expectations, while February's decline of 0.4 per cent was revised to a fall of 0.6 per cent.

Another factor in yesterday's stocks weakness appeared to be technical. The modest rallies on Tuesday and Wednesday had taken the Dow to a high of 2,330 early on Wednesday, above the trading range of 2,280 to 2,320 which had prevailed since early last week.

However, according to Mr Newton Zinder, technical strategist at Shearson Lehman Hutton, the market was about to run into another technical resistance area in the range between 2,325 and 2,365 where three rallies have stalled so far this year.

In more general terms, after a reasonable performance in the latter part of this week, traders were concerned to take a neutral position before today's economic figures. Of these, the key data are the February merchandise trade balance and the March producer prices index (PPI).

Mr Wayne Angell, Fed Governor, said earlier this week that an increase in commodity prices in the fourth quarter of last year could have an effect on the March PPI, which is forecast to have risen by around 0.5 per cent after successive gains of 1 per cent in January and February.

The consensus of forecasts for the trade balance is for a deficit in February of $10.4bn compared with the shortfall in January of $9.5bn.

Blue chip issues were broadly weak, with International Business Machines falling $1⅞ to $109⅛, Procter & Gamble down $⅞ at $91⅞, Philip Morris slumping $2¼ to $117½ and Merck dropping $⅜ to $65⅝.

The banking sector was also weak as disappointing results from Chemical Bank added to the gloom of lower results from JP Morgan. Chemical dropped $⅛ to $34⅝, JP Morgan slumped another $1½ to $35⅞ and Citicorp slipped $⅝ to $28⅛.

Technology issues started quite well, building on strength earlier this week, but then succumbed to broader market weakness. Cray Computer added $⅛ to $53⅞ and Intel, which reported net income in the first quarter of 52 cents a share, fell $⅛ to $28½.

Among featured individual stocks was Dow Chemical, which added $⅛ to $91⅝ after the company announced that it planned to repurchase 12m common shares. Freeport-McMoran rose $3¼ to $37 as it launched a Dutch auction of up to 15m common shares at a price to be set between $35 and $40 a share.

Mickelberry, the advertising agency group, jumped $2⅞ to $7⅞ after it rejected an $8.50-a-share offer from RFLR Group, the major stockholder of Wellington Advertising. RFLR has said it is considering whether to raise its offer to $10.50 a share.

Canada

SLUMPING industrials, forest products and pipeline issues outweighed buying among golds and management companies to drive Toronto share prices to a lower close.

Stronger gold stocks reflected a rise in the bullion price in futures contracts on the New York Commodity Exchange.

The composite index dropped 13.0 to 3,555.7 as losses outpaced gains by 373 to 281 on light volume of 22.3m shares.

Heavily-weighted blue chip issues were mixed. BCE Inc topped the list of leading active traders, slipping C$⅛ to C$37.

ASIA PACIFIC

Rate fears send Nikkei into retreat

Tokyo

A SCARE over interest rates made investors jittery and share prices fell heavily on profit-taking in thin trading, *writes Michiyo Nakamoto in Tokyo*.

The Nikkei average tumbled 192.51 points to 33,063.94. During the day it had reached a high of 33,336.18 and plunged to a low of 32,951.06. Declines led advances by 502 to 378 while 183 issues were unchanged. Turnover fell to 846m shares from 1.12bn on Wednesday.

The Topix index of all listed shares also retreated, losing 11.18 to 2,455.21 and, in London, the ISE/Nikkei 50 index fell 2.93 to 1,958.61.

Reports that Saudi Arabia would cut its shipments of crude oil to Japan raised fears that this would lead to higher oil prices, in turn fuelling rises in inflation and interest rates.

A rumour that the Bank of Japan had asked a securities house how an increase in the official discount rate would affect the market fanned speculation that the central bank was ready to make such a move. Mr Satoshi Sumita, Governor of the Bank of Japan, had made a speech earlier stating that the bank was prepared to raise interest rates if necessary – his phrasing was ambiguous enough for the market to interpret it as meaning the bank intended to do so.

The weakness of the Nikkei average was attributed mainly to a lack of buying by individual investors, who have been the main force behind the market's recent strength. Institutions have largely kept on the sidelines, preferring to wait for the release of key US economic figures expected today. They have also been wary about the possibility of any further arrests in connection with the Recruit scandal.

Some analysts felt the extent of the market's weakness was not reflected in the Nikkei's decline. "The market's fall was to me the equivalent of a 400-point drop in the Nikkei," said Mr Yoshinori Kawajiri of Sanyo Securities.

Amid the general lack of enthusiasm, constructions regained their shine. Nishimatsu Construction, originally selected for its tunnel-building technology which will be in demand in infrastructural projects, appeared to be rising on speculative fever. It emerged in the top slot of the most actives list with 46.8m shares traded and added Y50 to Y1,900.

Companies expected to benefit from greater capital spending posted strong gains. Amada, the machine-tool maker which has attracted attention on expectations of good results supported by an increase in capital spending, firmed Y10 to Y1,520. It was second in volume terms with 16.6m shares.

Tsubakimoto, an industrial chain maker, appeared in the top 10 volumes list and gained Y70 to Y1,110. Its recurring profit for the year is expected to be boosted by increased orders for machine tools and industrial machinery.

The reports that Saudi Arabia would reduce shipments of crude oil to Japan attracted attention to oil companies that have wells or drilling rights, such as Nippon Oil and Cosmo Oil. News of the relaxation of Japan's petrol station regulations also stirred interest in the sector: stations will be allowed to have other businesses in their buildings, such as mini-marts. Nippon Oil rose Y60 to Y1,700.

Constructions supported Osaka but weakness in other sectors left the OSE average 165.50 lower at 31,827.32.

Roundup

TRADERS were kept busy by institutional buyers of blue chips stock and several Asia Pacific markets showed significant gains.

SINGAPORE reached its third consecutive post-crash high in busy trading. The Straits Times industrial index rose 22.29 to 1,241.31 but turnover fell to 152m shares from the previous day's record 167m.

Sentiment was supported by news that Malaysia's Hume Industries was making a takeover bid for Multi-Purpose Holdings. Hume rose 56 cents to S$3.38 and Multi-Purpose was suspended for the takeover news after closing on Wednesday at S$1.02.

HONG KONG closed higher in the market's most active session in more than three weeks. The Hang Seng index rose 18.99 to 3,079.15 and turnover jumped to HK$1.7bn from the previous day's HK$1.2bn.

Property, utility and trading sectors rose moderately, while the banking group was mixed.

Institutions bought blue chip stocks, particularly Hutchison Whampoa, up 30 cents to HK$11, and Hongkong Land, 10 cents higher at HK$11.30.

SEOUL attracted bargain-hunting and recovered most of the previous day's fall, with the composite index rising 23.52 to 951.48. The financial sector sub-index posted a 2.7 per cent increase and the only losers were shipping issues.

SOUTH AFRICA

PLATINUM issues boosted Johannesburg, as the palladium price surged. Impala rose R4 to R50.50 and Rustenburg gained R3.25 to R61.50.

EUROPE

Talk of withholding tax change propels Frankfurt

CABINET moves in West Germany and talk of tax changes further excited the stock market and distracted dealers from today's batch of US statistics, which induced some caution elsewhere, *writes Our Markets Staff*.

FRANKFURT was given a fresh boost to its already euphoric mood by news that Mr Theo Waigel was replacing Mr Gerhard Stoltenberg as Finance Minister and that he might abolish or alter the controversial 10 per cent withholding tax on bond investments.

Trading volume soared to a huge DM7.29bn worth of domestic shares, which was reported to be the highest level since the global crash in October 1987.

Foreign activity was considerable, with UK interest increasing, but brokers reported that US investors were still largely absent.

Share prices surged until a late bout of profit-taking. The FAZ index was up 7.09 at 585.28, a gain so far this week of 3.7 per cent. The DAX index climbed to a peak of 1,401.18 before easing to close 6.10 better at 1,387.76.

News that changes could be made to the withholding tax, which has been blamed for a huge outflow of investment funds and for a weakening in the D-Mark, was seized upon eagerly.

If the tax were lifted, money should move back into German bonds, increasing business for the banks and making higher-yielding stocks such as chemicals more attractive as bond yields fell, said one salesman.

The bond market moved up sharply yesterday and the D-Mark strengthened.

Leading blue chips led the active stocks for a second day. Chemicals firmed slightly, with Bayer up DM2.10 at DM306.90. Pharmaceutical Schering rose DM6.50 to DM628.50 before its dividend announcement today.

Results from Dresdner Bank were in line with expectations, but the market was surprised by plans to limit voting rights in a move against hostile bids. The share price rose DM1.50 to DM333, while Deutsche Bank gained DM5 to DM549.

Metallgesellschaft was up DM6 at DM442 after reporting sharply higher first half figures on Wednesday.

PARIS had a nervous day awaiting today's US economic data, and prices eased in trading volume estimated between FFr1.5bn and FFr2bn.

The easier tone was also partly technical, following the rise in the CAC General index to a year's high.

The index, based on opening prices, firmed 1 point yesterday to a fresh high of 459.3, just below the all-time peak of 460.4. But indices reflecting yesterday's movements ended lower, with the OMF 50 off 1.27 at 472.49.

Midi had a strong late run, adding FFr50 to FFr1,550. There were signs of renewed activity in the Midi-Axa insurance group, with Axa unit Drouot Assurances actively traded and rising FFr24, or 5.9 per cent, to FFr428.

Générale Occidentale fell FFr33 to FFr882 after news that it did not intend to make a big aquisition and that CGE did not plan to reduce its stake.

Pharmaceutical Sanofi rose FFr22 to FFr840 after a meeting with French analysts and amid rumours that it might be showing interest in part of Beecham of the UK or SmithKline of the US before their merger goes through.

AMSTERDAM closed mixed in moderate trading, with the CBS tendency index edging 0.4 lower to 178.1.

Larger stocks were hurt by profit-taking and a weaker dollar. Philips went ex a Fl 1.60 dividend and fell Fl 2 at Fl 38.60.

Publisher Elsevier fell 70 cents to Fl 68.50 and Wolters Kluwer shed Fl 1.70 to Fl 170.30. VNU was strong, having published an optimistic annual report earlier in the week, and closed 70 cents higher at Fl 94.

Fokker lost 80 cents to Fl 43 anticipating results due today while Nedlloyd climbed Fl 15.50 to Fl 365.50 on suggestions of bid moves from Norwegian Mr Tor Hagen.

MADRID weakened despite the previous day's good money supply figures. The general index fell 1.35 to 293.94 as stocks were hit by profit-taking after recent rises and uncertainty over next week's inflation figures.

Few stocks escaped the general decline. Metals companies Nueva Montano Quijano, up 5.5 points to 121.5 of par, and Altos Hornos de Vizcaya, 0.37 points ahead at 109.87, benefited from hopes that they would end years of unprofitability.

ZURICH was a little firmer despite the late announcement of interest rate rises. The Crédit Suisse stock index put on 1.9 to 573.9. Adia was the main feature, the bearers rising SFr450 to SFr8,425 as analysts re-examined the company's prospects after recent falls.

MILAN ended the monthly account on a quiet note, with the Comit index easing 2.18 to 600.81. This left it 2.9 per cent higher than at the start of the account on March 15.

OSLO closed at a second consecutive record high. The all-share index climbed 3.62 to 466.18 in heavy trading worth NKr789m.

Elkem, the metals producer, was actively traded despite an explosion at a plant in northern Norway. It put on NKr11 to NKr328.

HELSINKI rose in brisk trade after falling for two days. The Unitas all-share index added 0.2 per cent to 807.6.

Nokia's ordinary free shares, which began the month at FM120, rose FM1 to FM140 following the company's announcement of a management restructuring.

STOCKHOLM was nervous before Sweden's revised budget, due for release on April 25.

The Affärsvärlden General index edged up 5.1 to 1,122.2.

Budget news leaves Australians unruffled

But it is hard for analysts to say if the dull patch is over, writes Chris Sherwell

AUSTRALIA'S stock market reacted calmly – almost indifferently – yesterday to the package of tax cuts and pay rises unveiled by Mr Paul Keating, the Federal Treasurer, on Tuesday night.

The All Ordinaries index, which covers the bulk of stocks traded, finished virtually unchanged on the day at 1,421.5, down 0.4 in moderate trading. Earlier in the day it had risen more than 8 points to touch 1,430, but then fell back.

Analysts said the package had been thoroughly anticipated through numerous leaks and contained no surprises. But they pointed to contradictory influences which made it difficult to predict whether the dull trend of recent months will continue.

This stagnation has seen the index meandering in the 1,400-1,550 range for the past five months and, in turn, has made the Australian market one of the worst performers over that period among the countries in the Organisation for Economic Cooperation and Development (OECD).

During the first quarter of this year, Australia was the only market in the FT-Actuaries World Indices to end lower than at the start of 1989. It lost 2.7 per cent in local currency terms, while the World Index rose 6.1 per cent.

On the positive side, a number of signals has begun to appear suggesting that Australia's bear market might be coming to an end.

For one thing, valuations have become more attractive in relation to other markets, with prospective price-earnings ratios on industrial stocks standing at just over 8. The current p/e ratio on the Standard & Poor's Industrial index stands at 13, while that on the FT-A Industrial Group in the UK is about 12.5.

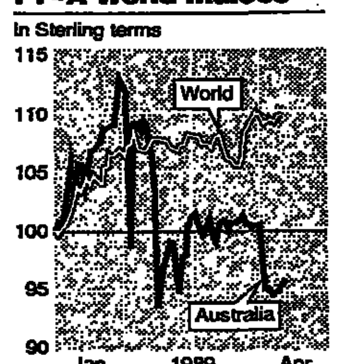
For another thing, market sentiment has reached a new low. According to a survey last week by brokers Ord Minnett, a record 81 per cent of respondents were bearish about the month ahead – a magnitude seen as a pre-requisite for a rally.

On top of this, institutions now have low equity weightings, there has been a build-up of cash through strong money-supply growth and interest rates are thought likely to reach a peak shortly.

On the negative side, concern is growing about the overall outlook, both for the world economy and for the domestic economy.

Analysts say the worst combination would be a downturn in the world economy which hits Australian commodity exports and the world's stock markets at the same time as Australia's tight fiscal and monetary policies reduce domestic demand.

The likelihood of this is not overwhelming at present. But some of the specifically Australian-related aspects of such a scenario – the gloomy outlook for the balance of payments, inflation, interest rates, investment and, of course, company profits – appear to have been factored into the market already.



The real significance of Mr Keating's package, as most Australia watchers recognise if not appreciate, is political rather than economic. After six years of restraint in federal spending and wages, the Labor Government clearly feels it cannot seek a record fourth term without increasing living standards – in this case, at the expense of pleasing the financial markets.

In this respect, the package is something of a turning point. Mr Keating abandoned his customary habit of pulling a rabbit out of the hat to impress the markets. The markets, in turn, acted early on their negative view of his plans. When there were no surprises on the day, life went on as before.

The next focus of attention will be next week's March balance of payments figures, and quarterly inflation figures to be released at the end of the month. Neither is expected to show a reversal of the deteriorating trends seen over the past six months.

In the meantime, there is the usual clutch of diversions – this week, the reverberations of the collapse of the Spedley finance house and speculation about moves on the BAT affiliate Amatil – while a constant eye for trends is fixed on New York and London.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY APRIL 12 1989					TUESDAY APRIL 11 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (89)	129.29	+0.4	113.43	106.42	5.22	128.80	112.99	105.68	157.12	128.28	121.28
Austria (18)	119.98	+0.8	105.26	117.57	2.14	119.05	104.44	116.46	119.98	92.84	91.60
Belgium (63)	132.34	+0.0	116 10	129.40	4.12	132.31	116.07	129.37	136.68	128.52	126.98
Canada (127)	134 48	+0.0	117.98	115.79	3.30	134.54	118.03	115.88	137.27	124.67	125.12
Denmark (38)	173.51	+0.1	152.21	173.03	1.89	173.40	152.12	172.93	180.38	165.35	121.73
Finland (26)	154.87	+0.2	135.86	137.09	1.46	154.52	135.56	136.78	156.37	125.81	126.49
France (130)	118.74	+0.4	104.17	118.60	2.98	118.32	103.80	118.18	119.98	112.57	86.68
West Germany (100)	86.68	+0.6	76.04	85.01	2.26	86.19	75.61	84.53	90.40	81.77	78.86
Hong Kong (49)	129.34	+1.4	113.47	129 21	4.07	127.60	111.94	127.49	133.77	111.80	104.97
Ireland (17)	145.12	+0.6	127.31	144 41	3.49	144.32	126.61	143.66	147.10	125.00	123.58
Italy (96)	80.69	+0.0	70.79	83.27	2.52	80.73	70.82	83.32	86.88	78.16	78.37
Japan (455)	188.26	−0.3	165.16	158.21	0.48	188.80	165.63	158.43	200.11	180.30	173.14
Malaysia (36)	170 64	+1.8	149.70	180.27	2.66	167.61	147.04	177.20	170.64	143.35	128.42
Mexico (13)	173.41	+2.4	152.13	457.31	1.13	169.38	148.59	446.12	173.41	153.32	134.41
Netherland (42)	118.90	+0.5	104.31	115.48	4.46	118.25	103.74	114.80	118.90	110.63	110.27
New Zealand (24)	67.25	−0.4	59.00	58.54	6.73	67.55	59.26	58.88	76.02	67.15	77.33
Norway (26)	183.59	+3.5	161.06	170.59	1.47	177.37	155.60	164.61	183.59	139.92	128.81
Singapore (26)	147.99	+2.7	129 83	133.57	2.06	144.05	126.37	129.91	147.99	124.57	110.18
South Africa (60)	141.22	+1.8	123.89	122 74	4.12	138.69	121.67	123.74	142.88	115.35	122.91
Spain (42)	152.88	−0.6	134.12	135 68	3.56	153.76	134.89	136.05	154.03	143.14	153.02
Sweden (35)	156.57	+0.8	137.36	148.52	2.31	155.32	136.26	147.51	162.00	138.45	123.19
Switzerland (57)	76.11	−0.3	66.77	78.63	2.33	76.32	66.96	78.78	79.76	74.05	81.38
United Kingdom (316)	143.03	+0.1	125.47	125.47	4.50	142.89	125.35	125.35	153.33	134.53	137.57
USA (562)	121.76	+0.2	106.81	121.76	3.62	121.54	106.62	121.54	121.90	112.13	110.50
Europe (1008)	118.11	+0.2	103.61	110.33	3.60	117 88	103.41	110.09	120.88	114.02	109.13
Nordic (125)	152.20	+0.8	133.52	150.01	1.98	151.06	132.52	148.96	153.98	137.95	114.40
Pacific Basin (679)	183.38	−0.2	160.87	154.66	0.70	183.79	161.23	154.79	194.72	176.37	168.37
Euro-Pacific (1687)	157.28	−0.1	137.98	136.99	1.59	157.43	138.11	136.98	164.22	152.83	144.68
North America (689)	122.42	+0.2	107.40	121.41	3.60	122.22	107.22	121.21	122.71	112.79	111.28
Europe Ex. UK (692)	102.47	+0.3	89.89	101.00	2.89	102.19	89.65	100.69	103.11	98.84	91.47
Pacific Ex. Japan (224)	124.91	+0.9	109.58	110.11	4.60	123.82	108.62	109.09	137.65	123.48	110.84
World Ex. US (1887)	156.33	−0.1	137.15	136.28	1.66	156.45	137.25	136.28	162.77	152.04	143.79
World Ex. UK (2133)	142.89	+0.0	125.36	131.95	2.04	142.90	125.37	131.88	146.04	138.06	130.28
World Ex. So. Af (2389)	142.90	+0.0	125.36	131.39	2.25	142.91	125.38	131.31	146.65	138.82	130.96
World Ex. Japan (1994)	121.15	+0.2	106 29	117.34	3.65	120.88	106.05	117.10	122.37	114.51	110.66
The World Index (2449)	142.89	+0.0	125.35	131.33	2.26	142.89	125.35	131.26	146.51	138.83	130.92

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local).

Latest prices were unavailable for this edition.